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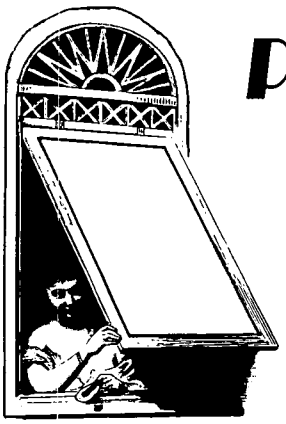

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Winter 1991

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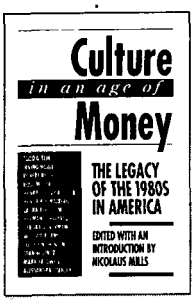

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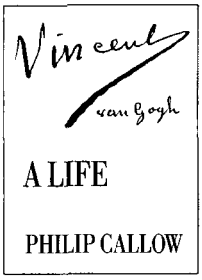

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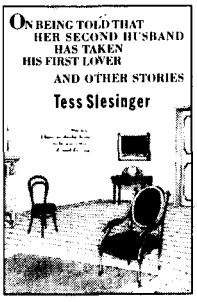

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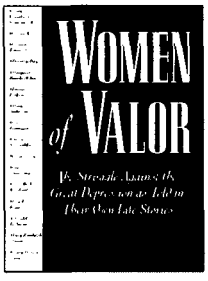

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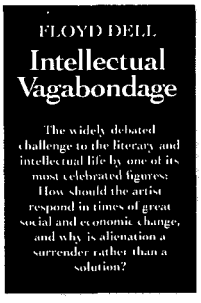
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Joanne Barkan and Mitchell Cohen

WAR IN THE GULF

At our fall meeting the Dissent *board held a discussion on the Middle East crisis and, as usual, there were disagreements. Below we print two contrasting opinions by editors. These short articles were written in early November and both risk being outdated by events. But that's a risk a quarterly must take. Joanne Barkan goes first.*—EDS.

Just wars, inevitable wars, alternatives to war—can they be sorted out as we think our way through to a position on the Gulf crisis? Are there any sturdy principles to grab hold of? When close to a million soldiers face off in the desert, when almighty oil is at stake, phrases like "international cooperation" and "world peace" sound disingenuous. But it seems to me these issues are the place to begin.

With the end of the cold war, the world community has a new chance to fashion a collective and international security policy. Former enemies can now collaborate to decrease the likelihood of war by increasing the effectiveness of other kinds of pressure. Violations of international law would be met first with collective forms of nonviolent coercion. If these failed, at least decisions about the use of force could be collective.

The notion of collective security helps to clarify the Gulf crisis in two ways. First, it puts the international response to Iraq's invasion of Kuwait in a context that applies to any serious infraction of international law. Countries that don't happen to be of much strategic importance should still expect aid from the international community. This makes the outcry about the rights of oil-rich Kuwait less cynical—as long as that outcry sets a post–cold-war precedent.

Second, the notion of collective security helps to map out a nonwar strategy—"punitive deterrence"—for resolving the Gulf crisis. The strategy looks like this:

- The embargo against Iraq continues, backed up by a multinational force. No time limit is set.
- Behind-the-scenes mediations continue.
- The United Nations assesses reparations to be paid by Iraq to all injured parties.
- The international coalition works out a security pact to be implemented after Saddam Hussein withdraws completely from Kuwait. The pact would include some of the following: an Arab or truly multinational force that protects the borders of the countries near Iraq; a multinational naval force in the Gulf; a skeleton structure of U.S. weapons and equipment left in Saudi Arabia to enable a rapid response to future crises; limits on arms sales to Iraq, including war planes, missile technology, and delivery systems; spot checks of Iraq's nuclear and military installations conducted by international observers; payment of reparations by Iraq, to be enforced by further sanctions; and regional negotiations to settle long-standing disputes over oil fields and access to the Persian Gulf.

This description of punitive deterrence needs two footnotes. First, the so-called multinational force now in Saudi Arabia should be made genuinely multinational. Countries other than the United States should pay a *much* bigger chunk of the bill—in money, war materiel, and troops. Since George Bush has never pressed hard enough for shared costs (after all, they imply shared control), this probably won't happen. But it should. Second, real security outside the Gulf region will require energy conservation to shrink oil consumption—and not just ready access to oil at stable prices.

Most people who dismiss punitive deterrence as inadequate vote instead for war. (A minority would pull out all foreign troops, leaving the Gulf region to stew in its juices.) Those who put war on the agenda use three different arguments. Some claim that the embargo will never drag Iraq out of Kuwait. They believe the coalition will eventually have to use military force, but they're willing to wait. Others who also believe the embargo is doomed want war as soon as possible. The international coalition can't

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hold, they say; the compromisers will strike a deal; Hussein will withdraw, taking a piece of Kuwait; aggression will be rewarded.

The third argument for war takes quite a different tack. The destruction of Iraq's military capability becomes the central goal (toppling Hussein's regime is sometimes added, sometimes not). According to this position, unless the war machine is smashed now, Hussein will be back in a few years with nuclear arms, missiles with chemical warheads, and biological weapons. He'll create havoc in the entire Middle East; he might try to destroy Israel. Therefore go after him now; later on, he will only be stronger.

To those who opt for war because the embargo won't work, it's reasonable to respond that the embargo seems to be eating away *slowly* at the Iraqi economy and war machine. There are shortages of tires and spare parts; power turbines can't be repaired; factories lack raw materials; some say the military has short supplies of food and cigarettes; and the government is desperate for cash. In the desert, the army continues to dig in for war, but Hussein flails about in search of negotiations. If the allies' goal is to get Iraq out of Kuwait with a reasonable security pact, the embargo has not failed yet. But success will take time.

If the goal is to decimate Hussein's military capability, then the response is twofold: A war against Iraq may have consequences as bad as or worse than the problem war is supposed to solve; and given that an alternative strategy for security exists, the brutal costs of war are not justified.

Suppose that Iran, Syria, and Turkey jump into a war to pursue their territorial interests, carving up parts of Iraq and whatever else is at hand; the Kurds rise up to demand a homeland; Hussein invades Jordan to draw Israel into the war; desperate, he unleashes his chemical arsenal on Israel and on U.S. troops and their allies; in an explosion of regional war, the coalition against Iraq breaks apart, and many Arab states unite against the United States and Israel; Islamic and Arab nationalist movements sweep aside moderate regimes; most of the Middle East is "Lebanized," and the instability allows Syria or Iran to assert regional dominance (Do we fight a war against one of them next?); a leader no less dangerous than Hussein takes power in Iraq—or in what is left of Iraq.

Those who want war to eliminate the threat of Hussein avoid discussing these scenarios. They often assume that the war will be relatively short and easy. But how can a war in so volatile a region be surgically contained? Do wars produce neat victories? Do they settle problems once and for all?

Most military analysts now expect this Gulf war to be fought, at least in part, on the ground and with much bloodshed. It could cost two billion dollars a day. Hostilities might temporarily cut off all oil exports from the region, precipitating a world economic crisis. And what shall we do if public opinion in the United States is ripped apart as a hellish war drags on and the White House balks at bringing home the troops because there is always light at the end of the tunnel? If an alternative policy in the Gulf has some chance of success, can we justify going to war now?

The strategy of punitive deterrence is not without grave risks. In the absence of an adequate security pact to restrain Hussein, he could be back to spin out a grisly scenario. But weighing the many factors, the risks on the side of war feel heavier. Who knows but that as readers look over these pages a few months from now, battles may be raging in the desert. But there's also a chance that the notion of collective security will have been proved viable, that the prospects for world peace will have improved—even slightly.

JOANNE BARKAN

Mitchell Cohen

Six Middle East Knots: Saddam Hussein is not Adolf Hitler. He is Saddam Hussein, and that is quite enough. He runs a vicious police state and champions a fierce Pan-Arabist chauvinism; he started an eight-year war with Iran costing a million lives; he employed chemical weapons and gas in genocidal attacks on an ethnic minority, the Kurds; and he has double-crossed or murdered nearly everyone who has opposed him . . . or reached an agreement with him. Just ask the Iranians, the Kurds, and the Iraqi communists. And he seized Kuwait, where he is engaged in a population "transfer" that outdoes Arik Sharon's proposals for Palestinians.

Saddam has an agenda: domination of the Persian Gulf and the Arab world. For him, what is good for Iraq is good for the region. With this in mind he manufactures nuclear, chemical, and biological weapons, and poison gas. He aspires to be a new Saladin, facing down the West. Not mentioned is the fact that Saladin was a Kurd and would probably have been gassed by Saddam. (Saladin and Saddam

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do come from the same town, Takrit.) Saddam poses as a Third World progressive, denouncing feudal emirs. This makes him "understandable" to some parts of the "left." Yet who is chief of his political police? His half brother. The military security police? Another half brother. The minister of industry? His son-in-law. The newly appointed governor of occupied Kuwait? His cousin.

Given Saddam's agenda and history, what are the consequences if he is not fettered now? if his occupation of Kuwait stands? if he continues to develop his lethal stockpile?

Saddam has a record—a consistent one. Whenever he has comprised under pressure, it is only until a more propitious return engagement becomes possible. If he withdraws from Kuwait but retains the capacity to produce weapons of mass destruction, odds are great that several years hence a scenario even more perilous than today's will be enacted.

2. Iraq is not Vietnam. Anyone who understands the Mideast—which immediately excludes Ramsay Clark—knows not to make such simplistic analogies. If Saddam is not Adolf Hitler, much less is he Ho Chi Minh. Those who howl at comparisons between the Führer and the "Raïs" ("boss"), as Saddam is called in Baghdad, pronounce "No Vietnams in the Mideast" only with hypocrisy.

Cold warriors reduced every regional conflict to an apocalypse of communists versus anticommunists, regardless of local realities. The left should not think like neoconservatives, only substituting "imperialism versus anti-imperialism" for "communism versus anticommunism." In any event, Saddam's anti-imperialist rhetoric is simply a cover for his own regional imperialism.

There is indeed a Vietnam analogy that has some force. While Hanoi's invasion of Cambodia was entirely illegitimate, it ended the Khmer Rouge's murderous regime. Whatever Hanoi's purpose, I'm glad for it. George Bush says he is "protecting the American way of life" in the Gulf. I don't believe that. Neither, I suspect, does he. But I don't care. I care about the long-range impact of an expansionist Iraqi regime pursuing mastery in a volatile region; and, yes, I fear its dominion over a resource vital to the world. One need not approve of America's reckless and selfish energy nonpolicy, let alone Big Oil, to recognize that control of a substantial amount of the globe's petroleum by Baghdad's dictator is a bad idea.

If the left equates frustration of Saddam with the U.S. invasions of Panama and Grenada, it undermines its own credibility in opposing future Panamas and Grenadas. Instead, Washington should be held to the very principles it now pronounces against Iraq's behavior in Kuwait—principles articulating nicely why the United States had no business doing what it did in Panama and Grenada.

The left is generally anti-interventionist. It should be. However, anti-interventionism should not collapse into simplistic isolationism; there must be some perspective in an increasingly interdependent and complicated post–cold war world, one in which wild cards are aplenty. The puerile pieties that have, in the current crisis, landed some liberals and radicals in the same camp as Patrick Buchanan and Jean-Marie Le Pen should be rejected.

3. A full-scale invasion of Iraq is not only a bad idea, it is a dangerous one. The U.S. should not invade Iraq. In any event, Washington probably doesn't want Iraq's complete collapse; Iran would be left as the Gulf's dominant power. Use of American force should, preferably, be in a multinational and sober context, *with congressional approval* and ignoring the war whoops of William Safire and his like. Diplomacy and embargo are, of course, the optimal means of solving this crisis. But it is very difficult to imagine their success. Indefinite reliance on them will likely result in a long-term, massive American military presence in the Gulf—another bad idea.

Military aims should be limited to ending the occupation of Kuwait and destroying by air power Saddam's lethal resources. True, the danger of the conflict spreading is real—it is in Saddam's interest—and the consequences of military action are unpredictable. But again: the consequences of Saddam with nuclear, biological, and chemical weapons five years hence are more worrisome.

4. George Bush initially managed the crisis with intelligence, but he is not its hero. If Bush deserves credit, it is for handling the consequences of his own administration's ill-conceived policies: serious investigation is required to specify to what extent American behavior in the Gulf after the Iran-Iraq war created preconditions for Iraqi aggression and circumstances in which the United States has no really good options.

5. Resolution of the Gulf crisis should not be tied directly to the Arab-Israeli conflict. Bind them and neither will be solved. The notion that an international conference could address both simultaneously and effectively is fantastic. Iraq's dictator promotes linkage as a distracting political ploy. Does anyone believe that, save for Israel, Iraq wouldn't have invaded Kuwait? Direct linkage will strengthen only Baghdad and Israeli rightists. The latter will tell fellow citizens: how can we make concessions to the

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Our "Lead Time"

Some readers have written to ask why we printed nothing in our fall issue about the Mideast crisis. Here's the explanation, which holds for similar problems with other issues. Because we work with a part-time staff and because of technical reasons, we cannot as a rule deal with late-breaking news. Several weeks go by between the completion of our editorial work and the printing of an issue—what is known as "lead time." Besides, we don't imagine readers turn to *Dissent* for the latest news or analysis of it. We try to deal with subjects that seem fundamental. Of course, if we had the resources, it would be nice to appear more frequently.—EDS.

Arabs when Iraqi aggression is rewarded with pressure on us?

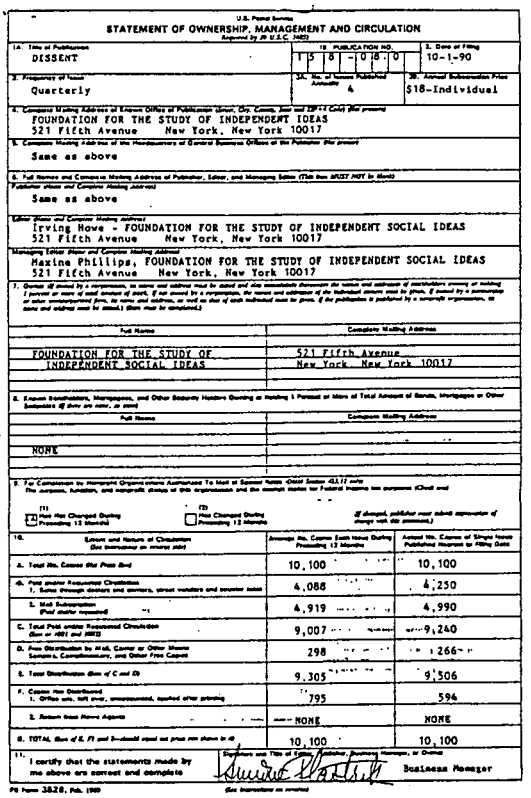
And if all Mideast problems are to be linked, then ought not Syria's occupation of Lebanon be raised? And the brutal repression of Kurdish national aspirations by Iraq? Saddam gassed 5,500 to 7,000 Kurds in the village of Halabja in the summer of 1988; he is responsible for tens of thousands of Kurdish refugees, has resettled thousands forcibly, and has destroyed scores of Kurdish villages—all while espousing Palestinian self-determination. The PLO, one notes, has never had a word to say about the fate of the Kurds.

To liken Iraq's seizure of Kuwait to Israel's occupation of the West Bank and Gaza is 90 percent specious. I say 90 percent because both occupations should end. The historical analogies are, however, false. Kuwait was occupied through an act of blatant aggression while it was Israel, in 1967, that was the object of aggression; it is Nasser's behavior then that ought to be compared with Saddam's behavior now. This does not, by any means, legitimize permanent Israeli occupation of the West Bank and Gaza.

6. While linkage ought to be rejected, the Palestinian problem should not be placed on a diplomatic back burner, as Yitzhak Shamir would like. It should become a focus of attention once the Gulf is settled. Yet it must be recognized that things are much more complicated because of Iraqi brutality and Palestinian embrace of it. They raise real security issues for Israel; whatever else Saddam has done, he has placed powerful weapons in the hands of Israeli hawks as they crusade against territorial compromise.

Arafat dealt a fierce blow to Israeli moderates. Throughout the last two years, Zionist peace activists sought to convince Israelis that the PLO was changing. Now the PLO embraces the seizure of territory by force and a population transfer in Kuwait. Fatah Central Committee member Abbas Zaki declared in October that the PLO was dropping its peace initiative; he implied that recognition of Israel had been merely a creature of circumstances anyway. It is time for the PLO to be held accountable; excuses for its leaders should cease. They are not children.

The same goes for Jerusalem. Israel's right-wing government is composed of fundamentalists—some nationalist, others religious—and they are no less responsible for the failure of peace efforts than the PLO. Since the Likud, its chief component, aims to ingest the occupied territories, it really has nothing to negotiate with the Palestinians. Its agenda is pursued unhindered. Time for a change, but not one that further batters Israeli moderates. Time to reconsider the suggestion made some years ago that the United States deduct from its aid whatever sums Jerusalem invests in the occupied lands, place the money in escrow, and announce that its release is contingent on Israeli withdrawal from them. The Likud would then have to pay



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penny for penny for its ambitions. On the other hand, directly linking the Arab-Israeli problem to the Gulf crisis—after Saddam has invaded Kuwait, threatened to use gas and chemical weapons against Israel, and has been embraced by the PLO—will only reelect the Likud. If it hasn't already. □

Interview with Alec Nove

REFORMING THE SOVIET ECONOMY

The following interview with Alec Nove, the distinguished economist and author of The Economics of Feasible Socialism, *was conducted by* Dissent *editor Irving Howe in late October 1990.*—EDS.

IH: It seems likely that there will be many changes and modifications of the economic reform plan introduced by Gorbachev in the Supreme Soviet. Meanwhile, could you give us an overview of what this entails, what is being proposed, and what seems likely to happen in the next few years? Do you think this plan has any prospect of success? What would a reasonable measure of success be in the difficult circumstances of the Soviet economy?

AN: Let me try and answer in bits and pieces. There is the question of whether the plan has its own internal logic; and then there is the question of whether there exists a mechanism for implementing the plan—or indeed any other plan.

Soviet sources reveal a great pessimism on the second question. In *Izvestia* a short time ago, Migranyan, a very intelligent commentator, said this: "The political crisis has reached its apogee. The President and the Supreme Soviet are trying to introduce the market in the USSR, a state that no longer exists. The final collapse of the political center means that no reform plan has any chance of being implemented by it. Clearly, in these circumstances, political and social chaos will grow. . . . As for Western help, it is highly problematical in the face of simultaneous crises in the economic, social and political spheres. What is falling apart is not just the empire, but also the ideology that held it together."

Abalkin, the economist and vice premier, commenting on the previous economic program, which resembled this new one fairly closely, expressed the view that it couldn't possibly work. And Boris Yeltsin, commenting on this latest program, said this: "Preliminary calculations based upon this new reform program suggest a budget deficit of nearly 300 billion rubles, exceeding total budget revenue. This could only be financed by money creation. This is cheating the people. The consumer market will be deluged with paper money, prices will rise tenfold and more. The new program means instant catastrophe." Now, Yeltsin is a bit of a demagogue, and he exaggerates—I think he's exaggerating the size of the deficit, though God knows it's really big—but the point is that without his collaboration it will be extremely difficult to introduce anything, because he does have some popular following.

With this as a preamble, one then looks at the plan itself. It's very ambitious—they no longer speak of 500 days, they speak of two years; and if they succeed in doing all the things they hope to do in two years, it will be a miracle. They wish to move to a real market economy, based on the principle of competition, and to bring about large-scale privatization (not of the very big stuff, but of small workshops and small factories, services, trade, family farming in agriculture, and so on). They wish to legalize private trade—which is very important, because previously, if you bought and sold for a profit, you were a criminal speculator.

They wish to create a free market across all the republics, so that the sovereign republics would in effect form a customs union with a common customs tariff and a stable ruble currency (which of course doesn't exist at the moment). They plan to privatize part of the housing stock. Stocks and shares would be traded; auctions of foreign currency, which already exist, would be extended; and, as soon as possible, convertibility is to be achieved. Foreign capitalists would be welcomed; firms with 100 percent foreign ownership would be allowed, as would the "letting" for foreign exploration of whole areas (the central government would retain control over exports of, and the proceeds from exports of, oil, gas, gold, diamonds, and so on).

To describe all this as a modest set of timid proposals would seem to me wrong. They're quite

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far-reaching. But there are two problems. One I have already indicated: the power to implement them doesn't really exist. But even apart from this, there are also a number of serious internal contradictions in the program. The biggest by far has to do with prices. In principle, Gorbachev recognizes that to have a free market, you need prices that are free to fluctuate in accordance with supply and demand. But for this you need a currency that means something, and so the decisive, immediate step is to restore the health of the ruble. But how can this be done? Yeltsin is right about this: there's still a huge deficit, rubles are being printed all over the place, wages are out of control, the local authorities are out of control, supply breakdowns are occurring because the existing supply obligations are regarded as part of the old command system and are only occasionally being observed—and there is the anticipation of a general breakdown. So Gorbachev says that until the end of 1991, certain basics of the centralized system should be retained—especially supply obligations—in order to prevent a breakdown.

Look at what they're saying: we must free prices, but to do it now would mean that prices would go through the roof because of the vast excess of money; so we must somehow bring order to the financial system before we release prices. But this is a contradiction. Unless they substantially increase prices, they don't have a hope in hell of reducing the budget deficit or of bringing supply and demand into balance. So they're saying that they can't free prices until they have the finances in order—but they can't get the finances in order if they don't immediately make a radical change in prices.

Meanwhile the political authority has continued to disintegrate. Here Gorbachev is sadly at fault. A nice ironic remark was made by Gerasimov, the foreign office spokesman, who said ruefully that Gorbachev did not get the Nobel Prize for economics. Indeed he did not; but I don't think he deserves it for politics either. (Internationally, of course, he deserves recognition for many things, including democratization in the USSR.) But in order to run a country, you need a decision-making structure and some way of implementing those decisions. Having very largely eliminated the power of the local party secretaries, where can he find a substitute? Local soviets are now genuinely elected: they have new standing, and therefore they have some power. But how do they use that power? They don't represent the central government: they use their power in such a way as to strengthen the centrifugal tendencies in the USSR.

Some republics are refusing even to join discussions about the rules of the game for a free, all-Soviet market. Suppose, say, that a state enterprise is located in Kiev. Who controls it? Does it belong to the Soviet Union or to the Ukraine? It is by no means clear. The Ukrainians have become quite radical in recent months, saying that they should control everything in the Ukraine, including the army.

The nationalities are not the only problem here. Within Russia itself there are many different groups, and all are saying that they want to be sovereign. The Russian republic itself is falling apart.

IH: But these local republics and local units are economically totally unfeasible, it seems to me. They have no way of subsisting on their own.

AN: No, they haven't, but the problem is this. If the economy were operating acceptably, the cost of going off on their own would be so self-evident that they wouldn't be pressing for it. When I was in Kiev in December 1989 I spoke with Ukrainian nationalist leaders, and they were quite conscious of the fact that if they tried to simply cut themselves off, it would do them a great deal of economic harm. So they wanted to renegotiate relations with Russia rather than break them off. But now I hear they're much more radical, and the reason is that the growing chaos in Russia itself has reduced the loss involved in breaking off.

In any case, in the history of the world there have been many nationalisms that have damaged the interests of their nations.

IH: In your judgment what will Gorbachev do? He must be deeply aware of these difficulties.

AN: In the Soviet press these days, there are quite frank discussions of all kinds of alarming possibilities. They've been asking people: Do you think a military coup is likely? Most people think it isn't, but nobody excludes the possibility. What seems to me more probable—it's the only thing I can think of that can possibly help—is that Gorbachev and Yeltsin (who really must stop his sniping, although no doubt it takes two to tango), along with some of the radicals, will form a new government of national unity and declare a state of emergency, a kind of short-term martial law, to establish some kind of order, as a stopgap measure. I don't think that's impossible. It's more probable than the generals' taking over.

IH: The American press is describing the new economic program as a step toward or even a triumph of capitalism. At least insofar as one reads Gorbachev's statements, my own impression is that this is a misstatement or at the very least an exaggeration. Gorbachev speaks of a mixed economy, of a "humane and democratic socialism," and at least some of what he proposes seems similar to what you called for in your book *The Economics of Feasible Socialism*. What do you think?

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AN: I looked at the latest document, and I looked for the word socialism in it. And it does occur . . . once. Right at the beginning, it is said, "The marketization of the economy does not conflict with the socialist choice or commitment of our people." In other words, in Gorbachev's mind, the plan points to some sort of "socialist market" economy.

Your question admits of two answers. One is that the idea of keeping the word socialist can be seen as a face-saving formula. Gorbachev is still the general secretary of the Communist party: he cannot say that he is restoring capitalism. But among the ideologists surrounding Gorbachev, some of them (though not Gorbachev himself) are saying that the Russian Revolution was a dreadful mistake that cost millions of lives for no purpose. You can now see in print arguments that the horrors of Stalinism were the responsibility not only of Bolshevism but of Marxism-Leninism itself. This is not the majority opinion as yet, but it's much stronger than it was, and among these people are some who go much too far. Two of my Soviet colleagues have recently written to me to say that Sweden is much too radical and that the German Social Democrats are a bunch of dangerous reds! A recent article titled "Social Democracy and Us" attacked Western social democracy from a standpoint that could have come straight from Milton Friedman. That's not typical, but it's having an influence.

There is another way to look at the program. As a headline from a Soviet journal put it recently, "Socialism is capitalism with a human face." (I found this striking because these are the last words, virtually, of an essay that I've written for my revised version of *The Economics of Feasible Socialism,* which will be published this year, in my reply to the Hungarian economist Janos Kornai. My objection to Kornai is that he seems to favor capitalism with an inhuman face.)

I think that Gorbachev is honest in saying that he is aiming for a mixed economy—a mixed economy with a human face, in the form of social guarantees. But this of course raises two questions: the desirable proportions within this mixed economy and the possible proportions. A British newspaper put the question well: how can you have capitalism with no capital and no capitalists? People can buy or lease small workshops or service agencies in the Soviet Union, but what about the big stuff? Where will the capital come from? Even if the reforms were desirable, they simply may not be possible.

The situation was summed up well recently by the Soviet economic journalist Selyunin. He said that if the party were to put its case to the people

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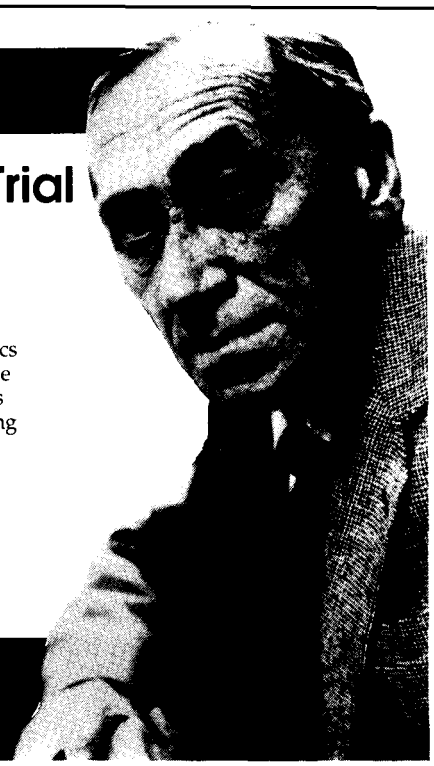

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today, it might have to come up with a program like this: "Comrades, we've led you down the wrong road for seventy-three years; in the last five years we've ruined the economy; so trust us to lead you through inflation and unemployment to a radiant future." □

Carol O'Cleireacain

PENSION FUNDS AND SOCIAL INVESTMENT

American workers have more than two trillion dollars in their pension funds. They own about one-quarter of all the corporate shares on the New York exchange and account for almost half of daily trading activity. Having tripled in size in the 1980s, these funds are bigger now, in dollars and power, than even those of us close to them imagined ten years ago.

Growth in the labor force and growth in earnings alone would have guaranteed a growing pool of pension fund savings. But, in addition, the past decade's booming capital markets (and the wonders of compound interest) generated spectacular growth. On average, pension funds returned 12 to 15 percent per year in the 1980s; annual inflation averaged about 5 percent.

The markets that brought phenomenal pension fund growth also brought the rise of corporate raiders and hostile takeovers, and their defenses—greenmail, golden parachutes, poison pills, to name a few. Leveraged buyouts by corporate management brought arguments over the appropriate value of corporate shares. Junk bonds blurred the lines between equity and debt and changed the risk/return trade-off for stocks, bonds, and subordinated debt.

Further, the disastrous macroeconomic policy of the first Reagan term raised both interest rates and the value of the dollar. The resulting loss of manufacturing jobs and agricultural exports produced a rusted-out and boarded-up American heartland. The dramatic shift of federal government spending toward the military crippled any local government response to these events. As the "1990 Report of the Joint Economic Committee of the U.S. Congress" put it, "[T]he most damaging legacy of the 1980's is the weakening of the public sector."

Organized workers recognized that their money was part of the corporate restructuring game, which often cost them jobs and always cost them wages, and insisted that their unions focus on ways that their pension funds could help them survive. Public officials eyed this growing pool of off-budget money that might be used to meet rising public needs. Corporate treasurers raided their funds for help in fighting takeovers or achieving leveraged buyouts.

The economy of the 1980s led pension fund activism in two distinct directions. One was toward shareholder rights and corporate governance. The other was the strategic placement of pension fund capital in sectors of the economy that appeared to suffer from a capital shortage.

Pension funds were forced to recognize that the traditional split in American corporations between ownership and management left them unprotected in the casino market of the 1980s. They could not count on management to represent their interests. Indeed, in many takeover battles, the shareholders were neither warned nor consulted. On top of their theoretical ownership responsibility, which pension funds had ceded to corporate management, came the very practical issue of protecting the value of their assets in takeover fights and choosing the proper values for shares.

In the 1980s public pension funds emerged into the forefront of the shareholder rights movement. It is not hard to understand why. Pension funds cannot leave the market; they have huge dollars to invest and reinvest annually; in effect, they are the market. They have the ability to think and act long-term. Using the power of shareholder voting, especially in combination with other investors, pension funds have a tool for achieving fund growth.

Public pension funds, in addition, have trustees who are public officials and who can easily transfer the principles of electoral democracy to corporate democracy. Hence the special fondness of public pension funds for supporting proxies calling for confidential voting (secret ballots), one share, one vote, and not counting abstentions when determining the majority.

Public funds, of course, do not have to worry about

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whether their shareholder activism will come home to roost in their own boardrooms. Corporate funds do. Corporate fund trustees, usually corporate treasurers, have been reluctant to participate in the movement for independent directors or the implementation of democratic standards at corporate boards, lest their own boards be the next targets. This fear has provided strong impetus for public funds' placing confidential voting in corporate proxy fights at the top of their "Shareholder Bill of Rights." There is a firm belief that if corporate pension funds were able to have the secrecy of the voting booth, rather than the public roll call, the corporate democracy movement would win many more votes.

However, corporate democracy is different from issues of corporate financial restructuring, raiders, and takeovers. On these issues, there has been far less unanimity among institutional investors. The three largest public pension systems—in California, New York State, and New York City—voted on different sides when Carl Icahn bid for Texaco and Harold Simmons attempted to replace the board of Lockheed. The trustees of the larger public funds recognized earlier than private trustees that proxy voting is a necessary component of fiduciary responsibility, but that recognition has not brought with it a unanimity of position on various proxy votes. It is the act of voting that is deemed to be important. There is not yet a "right" or a "wrong" way to vote on corporate restructuring. That is the area of fiduciary judgment that will not disappear; one should not anticipate large pension funds moving in lockstep. Reasonable trustees may reasonably differ, as long as they engage in detailed and intelligent decision making.

As the budget deficit has constrained the national government's ability to meet investment needs, the creative use of public pension assets to meet these needs has become a potent political issue. The "economically targeted investing" (ETI) of pension funds to achieve a market rate of return and, in addition, a benefit (social or economic) to the public at large is the new terminology replacing "social investing." A recent survey financed by the Ford Foundation documents more than $7 billion in ETI by public employee pension funds around the country. More than half of the large public funds (especially state funds) have ETI programs. New York (state and city) funds constitute about 10 percent of ETI nationally.

ETI programs are directed primarily to filling gaps in private capital markets, largely the housing market, small-business loans, and venture capital. Pension funds require a financial investment that is marketable, safe (either federally guaranteed or publicly insured), of appropriate size for the large amounts of cash flowing into the system, and with administration and oversight of the investment done by independent professionals outside the board of trustees. The pension fund investment yields a market rate of return (measured by the opportunity cost, controlling for risk, duration, and liquidity). Although individual ETIs may have a subsidy component, that subsidy comes from the involvement of an accompanying public program. For the pension fund to accept a rate of return that is below the market, thus subsidizing the venture, is seen as a violation of fiduciary responsibility.

A security backed by the full faith and credit of the U.S. government is the most risk-free asset a pension fund can hold, so ETI programs try to leverage federal guarantees or federal insurance—for example, New York City's funds buy Ginnie Mae securities backed by mortgages issued in what are otherwise redlined neighborhoods. In Boston and in New York, building trades' pension funds have invested in federally insured certificates of deposit at financial institutions, rolling them over for a designated period of time, to free up funds for construction lending by those institutions on favorable terms to local developers. This technique has leveraged capital to build housing and provide jobs for members.

There are those who argue that markets are perfect and "capital gaps" do not exist. By definition, then, if, through ETI, a pension fund invests in a venture, or a neighborhood, or an industry that has not been receiving investment, it must be because the fund is getting a riskier investment for the same rate of return or a below-market rate of return for average risk. That appears to be an ideological rather than an experience-based position.

Those who work with housing, small-business, or venture capital lending know that standard rules of thumb as to return and risk have closed out access to capital for certain borrowers. Often financial institutions find it easier to continue in the same patterns than to seek out new ones. Pension fund trustees have discovered that there is a shortage of financial intermediaries willing to find and package deals that would make pension fund capital available to borrowers and also be profitable business.

For example, the New York City Police fund set out to invest in small businesses in New York City. Its managers looked to the most obvious place: securities backed by Small Business Administration (SBA) loans. They were shocked to find that the banks in the financial capital of the world did not use SBA loan pro-

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grams. The staff of the pension fund trustees had to bring in SBA experts to city banks to teach them the details, rules, and how to do the paperwork. As a result there are now large New York City banks that will make these loans to small businesses, and the police fund is committed to purchasing $50 million worth of securities backed by these loans. This is just one case of a clear market imperfection, which was eliminated by the supplier of capital—the pension fund—training the financial intermediary (the bank) to play its necessary role in the market so that the borrowers (small businesses) could be served.

As long as pension funds represent the major form of savings for a growing generation of Americans, the use to which those savings are put will be an important issue. The funds are too large, their need for diversified investments too real, their share ownership too major, their ability to fill gaps in selected parts of the capital markets too visible to ignore. Whether politicians or others want to tax pension funds to help get rid of the deficit, have them finance their own needs (bridges, roads, or buyouts), use them to keep hometown industries like Colt alive, or place environmentalists and others on corporate boards, we must not lose sight of the overriding issue:who has control over the workers' money and in whose interest do they exercise it? □

Rashi Fein

A MODEL FOR HEALTH INSURANCE

Can We Learn from the Canadian Example?

Universal medical insurance and universal access to care under a system of responsible cost containment remain on the American agenda. Since Harry Truman proposed national health insurance (NHI), debates about this vital policy issue have waxed (as in the early 1970s) and waned (as in the 1980s). There is now considerable evidence that we are entering a period of extensive discussion of proposed "solutions." Commissions, committees, and task forces continue to expand.

Hardly a surprise. Because we all use our health care system, we are concerned about its state of health. One does not have to be an expert to know that American health care is deficient in very important respects. Millions of Americans are aware that other nations are successfully addressing this problem.

One nation that has something to teach us is Canada. All residents of Canada have comprehensive insurance protection based on residency. An individual's insurance protection does not depend upon ever-changing relationships to the labor force, employment, or a particular employer. Nor is it linked to changing socioeconomic and demographic characteristics.

This, of course, is in sharp (and ever sharper) contrast with the United States. Here, local, state, and federal programs, each with its own definition and structure, are superimposed on a private insurance system that is largely employment linked. Individuals sort themselves and are sorted into the various programs according to how individual characteristics fit eligibility requirements. Assuming they are enrolled in some program, their benefits will vary with each program. Because of cost considerations, the benefits they most need may be the very ones they are denied.

Because there is no guarantee of continuous coverage, it is not surprising (though it *is* shocking) that over one-quarter of Americans report they were without health insurance at some time during the previous twenty-eight months. The oft-cited figure that almost forty million Americans are without *any* private or public health insurance or payment assistance for medical services (that is, Medicaid) is, unfortunately, correct. Millions more, with some (but quite inadequate) insurance, would find themselves in severe financial straits if their medical care required more than minimal expenditures. The American reality would sound bizarre to Canadians with universally available insurance.

Canadian expenditures for health care are not inconsiderable: almost $1,500 per person per year. Yet, in the United States, in a system that is less universal and that severely restricts access for many persons, per capita expenditures are almost $2,100 (38 percent higher)! We have the dubious distinction of protecting a smaller proportion of the population

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and spending more to do so. There are no apparent differences in morbidity, mortality, or health outcomes associated with particular conditions (Canadians do better on some indices, we on others), so that contrasts in coverage and expenditure cannot be explained away on grounds of quality.

In earlier periods, those who opposed national health insurance often used the argument that it was an alien import, a product of "left-wing" ideology (of the kind, presumably, represented by Bismarck, Lenin, and Churchill/Attlee). That argument may prove less effective in the future. Americans who import foreign cars, audio equipment, and apparel may be willing to consider importing ideas.

In 1990, 66 percent of U.S. respondents preferred the Canadian system of national health insurance in response to the following question:

> In the Canadian system of national health insurance, the government pays most of the cost of health care out of taxes and the government sets all fees charged by doctors and hospitals. Under the Canadian system—which costs the taxpayer less than the American system—people can choose their own doctors and hospitals. On balance, would you prefer the Canadian system or the system we have here in the United States?

The survey also found that only 10 percent of Americans, but 56 percent of Canadians, felt that "on the whole, the health care system [in their country] works pretty well." In contrast, 60 percent of Americans felt that fundamental changes are needed, and 29 percent felt that it would be necessary to rebuild our health care system completely. The respective figures for Canada, 38 percent and 5 percent, indicate that Canadians have a much higher level of satisfaction.[1] In health care, the adage that "you get what you pay for" is fallacious.

Federal-Provincial Partnership in Canada

How do the Canadians do it? The original universal health insurance system legislation, adopted in 1966, placed the administrative structure of responsibility at the provincial level. By 1971 each province had developed a universal health insurance program that met crucially important central government requirements: the provincial programs had to be universal and had to cover all necessary medical care (physicians' services in and outside of hospitals, hospital inpatient services, a broad range of special outpatient services, and so on); the plan had to be publicly administered; the benefits had to be portable across provincial lines. As a consequence of 1984 legislation, the provinces have banned extra billing by physicians and hospitals (that is, collecting more from the patient than the amount provided for in the provincial fee schedule—a practice all U.S. Medicare beneficiaries have encountered). Failure to ban extra payments reduces federal financial support for the provincial program by an equal amount.

The significance of the federal requirements must be underscored. Under the Canadian system national standards and equity prevail across provincial boundaries. In return for federal funds (whose expansion is now constrained by a transfer formula related to the growth of health care expenditures and the gross national product, which, consequently, places the provincial authorities at increased financial risk), federal authorities and Canadian residents are assured of a set of uniform and basic (but not Spartan) benefits that are universally available.

Federal authorities permit the individual provinces to add additional benefits deemed important and affordable. They are free to develop their own methods to raise the required funds, their own cost-containment approaches, and their own ways of paying health professionals and institutional-care providers. Though the provincial programs have much in common (especially in their benefit structures), each province has substantial discretion in organizing and financing its program.

Such system differences as do exist, say, between Québec and Alberta, are at a level that does not directly impinge on the individual who seeks medical care. Of equal importance, the individual citizen is assured that there will be a public debate about the appropriate amount to spend for medical care as compared with other spending.

Public debate on the priority accorded medical care as contrasted with education, transportation infrastructure, research and development, space exploration, or new weapon systems is conspicuously absent in the United States. As a consequence of untrammeled growth rather than deliberate choice, the U.S. share of GNP devoted to health care expenditures is almost 12 percent. The Canadian share is less than 9 percent. The U.S. and Canadian percentages, both of which had been increasing, were virtually identical up to 1971 (when the Canadian insurance system became fully operational). While the Canadian allocation to health care flattened out for almost a decade and increased slightly in recent years, U.S. expenditures continued to grow at an explosive rate.

The U.S. expansion has had important consequences. We cannot be cavalier about the health care dollar. The increases in medical care expenditure have driven out expenditures in other fields: we spend a smaller percentage on education as well as on research and development than once we did. Spending ever-larger percentages on medical care

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and allocating smaller percentages to education, research, and development is hardly the way to keep up with the Joneses, let alone with a united Germany or Japan. Nor are these expenditure patterns the result of a collective decision-making process with which you or I might agree or differ. Instead, they are the product of countless encounters between medical care providers and vulnerable persons who are trapped in a system that offers few choices and exhibits few restraints and little competition.

Less Paperwork, More Freedom for Doctors

Although each of the Canadian provinces is different, the general contours of the various systems are similar. All individuals have the same benefits and are covered for most of the medical care they receive. Patients do not face the cost-sharing measures (deductibles, co-insurance, or copayments) that characterize U.S. insurance (including Medicare) programs, nor do they need to file claims for reimbursement. Providers (not patients) do the billing to the single payer: the public insurance authority. The Canadian system is much simpler for both patients and providers (though less profitable for paper manufacturers).

Hospitals do not file claim forms. Operating under negotiated budget agreements, they receive allocations at periodic intervals. Their task is to stay within the discipline of the prospective budget. Physicians are paid on the basis of a fee schedule negotiated between government and physician unions. Because government payments (physician incomes) are the product of the number of services rendered times the fee per service, all provinces monitor physician billings to guard against excess use. Even as they consider alternative mechanisms to cap expenditures (Québec has instituted physician income ceilings), both government and physician unions know that today's behavior will affect next year's fee bargaining.

As a consequence of these arrangements, Canadian physicians have *more* clinical freedom than do their American counterparts. Our physicians are under constant review; individual cases are scrutinized to make certain that no one is "cheating" by over-utilizing services, admitting the patient too early before surgery, keeping the patient in the hospital longer than necessary, and so on. Because the United States has not altered basic system incentives, we try to police practitioners. That this policing is done by private organizations acting at the behest of firms that pay premiums on behalf of their employees, rather than by government, does not make the policing more palatable.

It is troubling that many (if not most) U.S. physicians hold government responsible for what they perceive as threats to their independence and clinical freedom. Though government plays a much larger role in financing the Canadian system than is the case here, Canadian physicians do not practice medicine by rote or government directive and are not suffering from malaise.

The Canadian health care system faces much, much lower administrative costs than does the U.S. system, where administrative expenditures are the most rapidly increasing cost in the health sector. *The administrative savings are in the tens of billions of dollars (a sum that could finance health care for those now uninsured).* Consider that there is only one insurer in a province, no marketing, no complex enrollment arrangements. Consider that hospitals are paid on the basis of a prospective budget and do not have to devote resources to posting every medication for reimbursement purposes (for example, aspirin: $2.00; toothbrush: $4.00) and to filing claims forms. Consider that there are no billing clerks (except to handle the U.S. patient who is treated in a Canadian institution), no persons whose task it is to determine the patient's eligibility; no computers to track the financial transactions. Consider that in the United States over one thousand firms offer health insurance and that each is willing to market many different policies at rates determined by the experience of the individuals whom it enrolls (a process that requires data and analysis).

It is conservatively estimated that the administrative expenditures in the U.S. system absorb five to six times as high a percentage of the GNP as is the case in Canada. I estimate that if full account of the various "unnecessary" activities in the U.S. care system were made—that is, things that we do in order to be "efficient" within an inherently inefficient system—the potential savings might be in excess of $60 billion.

Finally, of course, the important inevitable question: how is the Canadian program paid for? The answer is simple: largely through taxes. Ottawa contributes its share to the various provinces (in a manner that takes account of economic disparities). This contribution is simply one additional federal expenditure, financed through general revenues. The individual provinces raise the additional money they need to operate the program through whatever tax mechanisms they elect (some provinces use supplementary premiums).

Those of us in the United States who have argued that the additional tax burden for a universal health

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insurance program would be more than counterbalanced by the reduction in present private premium payments can point to Canadian experience: arrangements for public responsibility, authority, and accountability have saved money even while providing universal access.

But the fact that we can point to the Canadian experience, and that many of us have been doing so for years, has not led to legislation or, indeed, even serious discussion at the public policy, rather than the scholarly and academic, level about what parts of the Canadian system might be applied to the United States. Most American policy analysts who approve of the Canadian system behave as if it is totally irrelevant because of political considerations: "Interesting, but . . . ." The editorials that begin with a description of the Canadian approach to financing health care usually end by endorsing more modest changes that use approaches contradicting the Canadian experience (for example, continuing the multiplicity of programs and negating universality by requiring employers to offer insurance to their employees while exhibiting less concern for individuals who are not employed or who are part-time workers).

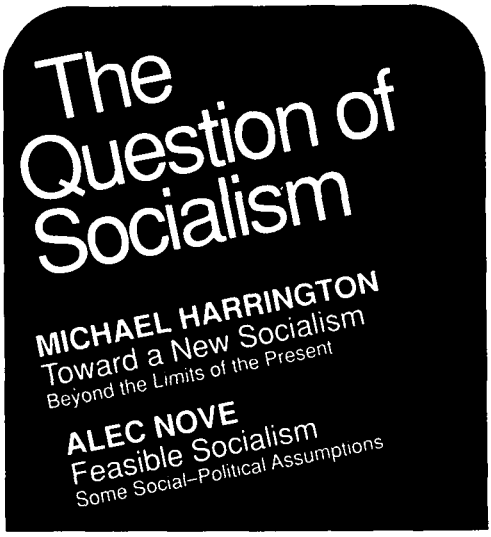
Nevertheless, I am optimistic that in the next few years, and especially if George Bush should be a one-term president, we will not only discuss but enact meaningful legislation that will move us a long way toward universality. This optimism is based, in part, on the new interest by some of our largest firms (often, with experience in Canada) in a plan that would control costs. Organized labor and concerned consumers are becoming more informed about how our insurance system is coming apart, and what is more, the American College of Physicians (the second largest medical association after the AMA) is willing to discuss broad and comprehensive reform. Many states have legislation, political action, or study commissions seeking to advance programs to meet the health care needs of all residents.

I do not mean that everyone studying the problem supports a Canadian-type system. I do suggest that there is a growing desire to achieve equity and cost containment and that as the debate unfolds we will need to learn from Canada and to discuss which of its numerous lessons can be applied here. □

Notes

[1] All data from Robert J. Blendon et al., "Satisfaction with Health Systems in Ten Nations," *Health Affairs* (Summer 1990), pp. 185–192.

[2] Robert G. Evans, "Tension, Compression, and Shear: Directions, Stresses, and Outcomes of Health Care Cost Control," *Journal of Health Politics, Policy and Law* (Spring 1990), pp. 113–116.



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Simon Rosenblum

SOCIAL DEMOCRATS WIN IN ONTARIO

OTTAWA, ONTÀRIO

"In the revolutionary year 1989," said Willy Brandt, "not only is the social democratic idea impelled toward reality—now also reality is impelled toward the social democratic idea." In a small way, his prophecy was confirmed by the surprising election of a majority New Democratic party (NDP) government in the Canadian province of Ontario. Not everyone saw it that way. The *Wall Street Journal* did not understand how Ontario could vote for a social democratic government while Eastern Europe was rejecting communism: "It makes us wonder if some Canadians are still getting their European news by dogsled." In Canada, the reaction of the business community was more restrained.

The summer election was universally thought to be a foregone conclusion—the incumbent Liberal government started out with 50 percent support in the polls. No one, including the NDP, thought the Liberal majority was in jeopardy. But the timing proved to be bad. The collapse of the Meech Lake constitutional process, a controversy over an unpopular federal sales tax, and an impasse on native rights had created a cynical, even angry, electorate. In a sense the Liberals were victims of the times and a "throw the rascals out" mood.

The Liberal government was also somewhat vulnerable. Its 50 percent support level seemed stable, but it was thin. Support was based on a vague comfort with the government as opposed to strong support for its policies. Midway through the campaign—thanks in part to an aggressive NDP strategy—Liberal support began to collapse. Liberal Premier David Peterson tried to take the offensive in the last week, warning that "this is not the time to gamble on some cockamamie socialist view of how to run this province." But his "red-scare" strategy was ineffective both because it was seen as the politics of desperation and because it was hard to make the charge that the NDP is "radical." The results were NDP, 37.6 percent; Liberals, 32.4 percent; Tories, 23.5 percent. The New Democratic party, Canada's social democratic third force, moved from 19 of the 130 seats in the legislature to 74 seats.

The NDP's strategic statement capitalized on the public's alienation.

> David Peterson's Liberals have sold out to their big money friends: the developers, the landlords, the insurance companies, the tax freeloaders, the big polluters. New Democrats believe people matter more than the powerful private interests. It's your Ontario. We'll fight to make sure you count.

Maclean's, Canada's national weekly, editorialized: "Voters recently defeated Ontario's Liberal government in what appears to have been a simple, unfocused protest vote." While there is some validity to that analysis, it is also true that the NDP put forward a clear program for government. The New Democrats may not have campaigned primarily on their "Agenda for People," but neither did they run away from it. Some of the major planks of the platform—many of which generated apprehension among business leaders—were the following:

- a minimum corporate tax and land speculation taxes plus inheritance duties on estates over $1 million
- a publicly owned auto insurance system
- comprehensive environmental legislation including the immediate passing of an Environmental Bill of Rights, the overhauling of air and water pollution laws to mandate zero discharge of toxic chemicals by the year 2000, taxation on environmentally unfriendly packaging, and a moratorium on new nuclear power plants

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Welcome, Mitchell!

The Editorial Board of *Dissent* is pleased to announce that at its last meeting it voted to appoint Mitchell Cohen as co-editor with Irving Howe and Michael Walzer. An expert in European social theory and author of the scholarly study *Zion and State,* Mitchell Cohen has been an active member of our board for some years and a frequent contributor to our pages.

- funding for 10,000 new nonprofit child-care spaces in each of the next two years
- increases over four years in the minimum wage to 60 percent of the average industrial wage
- upgrading of pay equity legislation to cover all women workers
- raising the provincial share of educational costs to 60 percent over five years
- limiting rent increases to the rate of inflation
- increasing social assistance rates to the levels "where families no longer have to choose between paying the rent or eating"
- construction of 20,000 nonprofit housing units a year

Business opposition is predictable. On minimum corporate taxes, land-speculation taxes, pollution controls, public auto insurance, nuclear energy, and deficit spending, the large corporations—to greater or lesser degrees and with varying degrees of popular support—are at odds with the NDP. Capital flight, especially in the context of free trade with the United States, is a danger. Firms will find it easy to expand elsewhere, whether in the United States or in neighboring Quebec, which has made it clear that it is open for business.

Open warfare with the business community is, however, not inevitable. NDP Premier Bob Rae is a cool and capable leader who will not be provoked easily. He knows that, in this situation, social initiatives can be financed only by business activity and the generation of wealth. After the election Premier Rae told business leaders: "The Ontario economy cannot grow, cannot thrive, without the active participation of a business community in this province. That's a reality."

Bob Rae and the NDP inherit a deteriorating economic situation that leaves little room for maneuver. Even if conflict with the corporate sector is contained, there will clearly be limits to what the New Democratic government can do. Immediately after the election, the Liberals—who had proudly campaigned on a budget surplus—"discovered" new figures showing a $700 million deficit. And with a recession setting in, the 1991–92 deficit threatens to be far greater. Corporate taxes, which accounted for 11 percent of provincial revenues last year, are expected to fall sharply from a projected $4.8 billion to under $3 billion this year. The growth in transfer payments from the federal government, which accounted for 13 percent of Ontario's revenue last year, is being curtailed by the new federal budget. Every dollar

To Our Contributors:

A few suggestions:

(1) Be sure to keep a copy of your ms—the mails aren't always reliable. And please remember that we can't return articles unless they're accompanied by a stamped, self-addressed envelope.

(2) Please don't write to ask whether we're interested in such and such an article—it makes for useless correspondence. Look at our last few issues to see if your idea fits in. Or take a chance and send us your article. We will not consider manuscripts submitted simultaneously to several publications.

(3) Type your ms *double-spaced*, with *wide* margins. Check all your figures, dates, names, etc.—they're the author's responsibility. No dot matrix submissions, *please*.

(4) Notes and footnotes should also be typed double-spaced, on a *separate* sheet. As we're not an academic journal, we prefer that they, wherever possible, be dropped altogether or worked into the text.

(5) We're usually quick in giving editorial decisions. If there's a delay, it's because a few editors are reading your article.

(6) Please bear with us—we have accumulated quite a backlog of material, and you may have to wait for a few issues before you see your article in print.

THE EDITORS □

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added to the debt constrains the ability of Rae and his colleagues to relieve suffering and reorder priorities in the province.

"Our task is to set taxes fairly, to spend wisely, to fight inequality, to promote justice and to guard against institutional arrogance and the abuse of power wherever we may find it," Rae promised after being sworn in as premier. An unprecedented number of women—eleven—were appointed as ministers, taking such high-profile portfolios as Environment, Health, Education, Community and Social Services, and Management Board. The expectations of the Ontario people are difficult to gauge, but coming to power in the teeth of a recession will not make the NDP's task easy. One senses that, if the government is seen as fair and takes serious actions in key areas such as the environment, it will be given the benefit of the doubt. Some social movements have already indicated that, insofar as they believe this government belongs to them, they will restrain their immediate demands and try to prepare workable programs that can be implemented during the next four or five years.

Although the NDP has governed Manitoba for much of the last twenty years and Saskatchewan for much of the last forty-five years, coming to power in a province that accounts for 38 percent of Canada's gross national product is seen as a test of much greater magnitude. An NDP government in Canada's largest and most powerful province raises the profile and credibility of the party across the country. The Ontario government's ability to steer an ambitious agenda through a period of tough times will test its mettle and profoundly affect the prospects of the NDP as a national movement. □

Stefan Svallfors

SWEDEN: SOCIAL DEMOCRATS IN TROUBLE

Western progressives have long pointed to Swedish social democracy as an outstanding success story. As recently as the 1988 elections, the dominance of the Social Democratic Labor party (SAP) appeared unchallengeable. True, the party slipped somewhat at the ballot box, but so did the centrist and conservative parties. The Greens alone gained ground, winning parliamentary representation for the first time.

Two years later, polls indicate a sharp decline in support for the SAP. The party is backed by just 35 percent of all Swedes. This would translate into an electoral plunge of more than 8 percent compared with 1988—the worst showing since the early 1930s. The future of the SAP is more uncertain today than it has been for a long time. What happened?

The immediate problem is that Social Democratic voters question the party's economic policies. A good example is discontent over recent tax reform. The old tax system had become a jungle of deductions that permitted the highest income groups to pay less and less despite the system's strong progressiveness on paper. In addition, private companies devised a host of nontaxable perks to supplement privileged employees' paychecks.

Doing away with all this had the support of virtually all Social Democrats, but the reform package ended up destroying most of the system's progressiveness. Rates governing the direct taxation of earned income were lowered as many deductions and subsidies were removed. Consumer taxes and taxes on unearned income were raised. Because the tax rate for high-income earners was lowered, many Social Democrats believed that a fundamental principle was discarded. For them, the movement's identity depended on support for a system that redistributed wealth.

The SAP leadership also ran into trouble when, as part of the struggle against mounting inflation, it shelved one of its most important campaign promises—to extend paid parental leave from twelve to fifteen months. SAP women voters found this backtracking hard to accept.

Perhaps the SAP minority government's most serious tactical error was a proposal in spring 1990 to abrogate temporarily the right to strike. Its goal was to bolster a wage-and-price freeze. The central trade union leadership initially backed the proposal, but the negative reaction of the rank and file was strong. To many union members who consider the

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right to strike their greatest source of strength, the proposal seemed a sign that the SAP no longer acted in their interests. Lacking support from any other party in parliament, the government backed down. But the damage was done.

Behind all this is a larger problem. The class compromise on which the "Swedish model" was built has begun to unravel. It was initially based on the notion that blue-collar workers, many white-collar workers, and capital all stood to gain from long-term although not friction-free—cooperation. For workers, the Swedish model meant full employment, generally rising living standards, a social welfare safety net, and a slow but steady equalization of incomes and living conditions throughout society. Higher paid white-collar workers may have resented narrowing the gap, but they still benefited from a growing economy and certain social insurance programs (for example, sick pay) that were income-based. For capital, a smoothly functioning labor market, flexible growth, and labor peace made income redistribution easier to swallow.

During the 1980s, each class became less willing to compromise. When the SAP returned to power in 1982 (after six years in opposition), workers agreed to a policy of wage restraint and profit maximization in order to wipe out a large budget deficit. As a result, the stock market skyrocketed while real income stagnated or declined; income equalization ground to a halt. Today many workers reject further appeals for wage restraint.

Some white-collar unions are militantly pressing for wage increases to reestablish the wage differential between their strata and blue-collar workers. Physicians, teachers, police officers, and nurses have won substantial raises from their public-sector employers. This intensifies disenchantment among blue-collar workers.

Meanwhile, capital has become more assertive. The Swedish Employers' Confederation (SAF) has undermined the highly centralized system of wage negotiations. The SAF insists on negotiating with individual unions rather than its traditional partner, the Trade Union Confederation (LO). Management's long-term agenda is for company-based bargaining, which would lead to serious rifts in the labor movement. As a result of the SAF strategy, the solidaristic wage policy (equal pay for equal work nationwide)—a cornerstone of the Swedish model—has broken down.

Swedish capital has also become increasingly internationalized. Today many leading Swedish companies have a large part of their workforce, as well as their market, abroad. Volvo, for example, recently announced cutbacks in production in Sweden because its factory in Ghent, Belgium is more profitable. Unemployment is high in Belgium; fewer work days are lost to sickness; and the turnover is lower than in Sweden, where there is a labor shortage.

One consequence of employers' resistance to centralized negotiations, workers' discontent with backsliding on redistribution, low unemployment, and militant wage demands is rampant inflation. Inflation in Sweden is currently the third highest in Europe, following Spain and Portugal.

In sum, the Swedish Social Democrats face grim problems. There are, however, a few bright spots. Unemployment is remarkably low. While large parts of Western Europe have unemployment rates of about 10 percent, the rate in Sweden is less than 2 percent. The public sector is exceptionally stable. There have been no drastic cutbacks, in contrast to other Western European countries. The budget deficits of the early 1980s have been eliminated, and social welfare policy is firmly supported by the electorate.

In the political arena, social class remains the most important factor determining patterns in voting and public opinion. In contrast to other countries, divisions between public- and private-sector employees or between tenants and homeowners have been negligible. Furthermore, the three "bourgeois" parties are probably more divided than ever. As things stand, a coalition government of the conservative Moderate party (with its base among professionals) and the Center party (with its orientation toward the "little people") is improbable. The sharp drop in approval ratings of the SAP has not been accompanied by a corresponding upturn for the bourgeois parties. Instead, undecided voters now make up about 20 percent of the electorate—an extraordinarily high figure for Sweden.

The Social Democrats could conceivably recapture a share of their lost electorate. The party leadership thinks this likely once the positive effects of the tax reform become apparent. The tax reform agreement indicates that the Social Democrats now prefer to turn to the right for parliamentary support—support that the splintered and unpredictable Left party (formerly the Left Party Communists) is no longer able to provide.

To secure its future, the SAP must find a new project around which to rally the movement. The party congress last September was dominated by practical issues that lacked a clear ideological profile. Some traditional Social Democratic policies

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are difficult to push right now—for example, redistribution. Further expansion of the public sector seems neither possible nor desirable. The most promising path may be to return to the issues of work life and workplace democracy that the SAP put aside long ago.

Within parts of the labor movement there are rumblings about the need for a "solidaristic work policy," which would raise themes such as the working environment, the content of work, and codetermination. Some progressive employers have responded favorably to these concerns because they see reforms as a way to increase the flexibility and quality of production and to cut absenteeism and job turnover. A solidaristic work policy may contain the embryo of a new Swedish compromise.

It remains to be seen whether the Social Democrats will reconnect with these traditional issues of the workers' movement. So far, the party's reactions have been cautious. But even if the SAP does focus on the quality of working life, the strategy will fail if Swedish companies engage in "social dumping," that is, if they move to places where unemployment is higher and social welfare less generous. As long as they can find a less expensive and more malleable work force abroad, Swedish capitalists will have little incentive to reform in Sweden. In the end, the SAP's domestic policies will not be the determining factor. Instead, the character of Western Europe's integrated market and the future direction of Eastern Europe will largely determine the fate of the Swedish model. □

Thomas E. Weisskopf

ECONOMIC AND POLITICAL PROSPECTS IN EASTERN EUROPE

As the waves of popular revolution swept across Eastern Europe in 1989, great hopes were aroused for the future of the East European nations. The prevailing view in the West was that, once liberated from the oppressive communist yoke, these countries could and would soon develop into economically dynamic democratic market-capitalist societies. Some doubts remained about Romania and Bulgaria; but surely East Germany, Poland, Czechoslovakia, and Hungary could be counted upon to join the international capitalist order.

On the left there was a quite different hope. It appeared to many of us that workers, students, and intellectuals, having played a prominent role in most of the revolutionary movements of the 1980s, might be able to combine a new democratic politics with the ideological legacy of socialist commitment to egalitarianism and economic security in constructing a democratic socialist order that would avoid the worst features of both bureaucratic collectivism and market capitalism.

One year later, the ground for optimism on the left has been severely undermined.* The great majority of people in Eastern Europe want nothing more than to become part of the "common European home" as soon as possible. Tired of social and economic experiments, increasingly aware of the huge gap in standards of living between Western and Eastern Europe, they are eager to embrace the "tried and true" institutions of Western market capitalism.** It is not only the old ruling communist parties and their hierarchical, bureaucratic economies that have been discredited; even much more benign forms of public enterprise are viewed with suspicion. Socialist and social democratic parties have fared poorly in elections in East Germany, Poland, Hungary, and Czechoslovakia.

Poland, Czechoslovakia, and Hungary have elected governments committed to dismantling the old state-dominated structures and to promoting the spread of markets and the growth of private

* My observations in this article are based largely on discussions I had with numerous East European social scientists during a trip to Poland, Czechoslovakia, and Hungary in the summer of 1990.

** The great irony here is that the institutional reforms well underway in Poland and Hungary, and beginning in Czechoslovakia as well, constitute an enormous socio-economic experiment with a highly uncertain outcome.

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enterprise along explicitly capitalist lines. In these countries the left is divided and weak. There are numerous parties, as well as groups within Solidarity in Poland and Civic Forum in Czechoslovakia, that reflect currents all the way from the remnants of the old communist parties to reincarnated social democratic parties. The progressive left has only the most tenuous relations with the majority of workers, who are represented mainly by unions with close links to the previous regimes. These unions are now becoming more independent, but their demands are largely defensive in nature, seeking to protect workers from the effects of economic transformation without having much to say about an alternative path of reform.

Does all this mean that the countries of East Central Europe are launched irreversibly toward Western-style market capitalism? Does the success of the peaceful revolutions against communist rule and the holding of free elections mean that Poland, Czechoslovakia, and Hungary have indeed been transformed into durable Western-style political democracies?

Obstacles to Economic Success

One cannot study the economic situation of the East European countries without being overwhelmed by the difficulties they face in overcoming economic stagnation. It is partly a matter of becoming aware of how deep the crisis is. Quantitative indicators of economic stagnation are only a small part of the story, and have misled analysts into underestimating the extent of the crisis. Qualitative problems seem even more serious—the poor quality of many of the goods produced, the lack of maintenance and service facilities, generally poor working conditions, overstaffing (where there is not outright unemployment), neglect of public services, environmental deterioration, and so on.

In Poland and Hungary, the need to service huge international debts will continue indefinitely to reduce the resources available for economic development and to squeeze the average citizen's standard of living. Current international trends offer little hope for significant debt relief. The United States is itself a major debtor, Germany will devote most of its resources to the East German economy, Japan has no special interest in Eastern Europe, and the rest of the major capitalist countries do not have enough to spare. Moreover, the economic collapse of the Soviet Union—and the related decision by the Soviets to insist on a hard-currency basis for trade with Comecon countries—will reduce the quantities and (real) prices of Eastern European industrial-good exports to the USSR, which are important especially for Czechoslovakia and Hungary. And if this weren't enough, the Middle East crisis will make energy more costly for these oil-importing nations.

Such dismal conditions would make any kind of economic revitalization difficult. But there are additional reasons why the economic strategy underway now in East Central Europe—rapid marketization and privatization—will prove especially hard to turn into a success:

- Foreign investors—upon whom much reliance is placed—are very wary of making major commitments in Eastern Europe. The institutional infrastructure for a successful capitalist market economy is woefully weak: banking, accounting, and legal services remain very poorly developed, and there are few people with the kind of experience to make such services work. Record-keeping and communications technologies are inadequate for a modern economy of the Western capitalist type, as the computer age is barely dawning in Eastern Europe. With many other countries that have much more hospitable business climates bidding for multinational corporate investment, it is hardly surprising that Western firms have yet to make substantial investments in Poland, Czechoslovakia, and Hungary.

- There are very few potentially viable enterprises in any given line of production, with the result that the transition to a capitalist market economy will provide great scope for monopoly power and corruption. Relatively free trade could provide some competition for potential monopolists in the form of imports, but balance-of-payments problems—and the need to nurture domestic industries—are likely to limit such competition. Since there are also very few potential domestic purchasers of privatized state assets, a limited number of large holding companies—along with a few foreign capitalists—are likely to play the major role in taking over those public enterprises that are salvageable. A privatization process that leads to monopolistic or foreign control of many industries seems likely not only to limit efficiency gains but to generate serious social tensions.

- Whether or not it is successful in its own terms, the processes of marketization and privatization will lead to tremendous inequalities—between budding capitalists who strike it rich and workers whose wages and job security will decline, and between people with scarce skills in high demand and people whose skills become redundant as their former inefficient enterprises go broke. The new governments will simply not be able to mobilize enough financial and organizational resources to provide an

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adequate "social safety net" for all the workers who are expected to become unemployed. In Poland the government expects to be able to support at most 800,000 unemployed at the current modest rate of unemployment compensation; this level of unemployment had reportedly already been surpassed by the fall of 1990.

• The need to balance government budgets to maintain monetary stability and currency convertibility, and to raise domestic resources for investment without harming profit incentives, will require a squeeze on most people's private incomes and on public services—thus continuing the downward trend in living standards that began ten years ago. How long people will accept such a squeeze—in an environment in which some of their compatriots are becoming conspicuously wealthy—is a question.

Given such obstacles, the optimism exhibited by many market-oriented economists about the transformation process in East Central Europe seems naïve. Czechoslovakia is probably better placed than Hungary or Poland to achieve a successful transition to capitalism because it begins with the strongest of the three economies, it does not have a major debt problem, and its government is proceeding more cautiously—but even in this best case there is much doubt as to whether the economic transformation can survive the social and political tensions to which it is bound to give rise.

Threats to Political Democracy

Will the Oder-Neisse become the Rio Grande of Europe? This question was raised at a conference of left-leaning social scientists in Warsaw in the summer of 1990, and to many observers it does seem that the answer is yes.

Insofar as marketization and privatization proceed, with a gradual integration of the East Central European economies into the world capitalist system, these countries will enter as very weak players. They will be dependent on international financial institutions for management of chronic trade and debt problems, they will be dependent on foreign governments for economic and technical assistance, and they will be dependent on foreign capitalists for investment resources and managerial know-how. These countries will also be characterized by growing inequalities of income and wealth—though they are not likely to have as highly skewed a distribution of land ownership as most Latin American nations. And there will be high levels of unemployment and an extensive urban "lumpenproletariat" (which even Spain, the most recent European capitalist success story, has been unable to avoid).

But there are real grounds for doubt that the processes of marketization and privatization will be able to proceed to the point where the East Central European economies become absorbed into the world capitalist order. Skepticism is warranted not only because of the economic obstacles but also because of the social and political tensions that are bound to accompany the economic transformation. Such tensions have already become visible in Poland, within the year that has elapsed since the introduction of capitalist "shock therapy" treatment in January 1990, in the form of strikes by railway workers, vociferous protests by farmers, and other disturbances.

In Eastern Europe almost everything is up for grabs. There are tremendous opportunities for personal gain by those who, through political power, connections, or specialized knowledge of the institutional transformations, are able to position themselves well in the new economic arena. And there are corresponding opportunities for loss on the part of the majority of the people. Proponents of a rapid transformation to capitalism assume that people will agree to accept economic sacrifice in exchange for political freedoms and the prospect of greater prosperity sometime in the future. But there is every reason to doubt that they will continue to do so as and when the economic burden is perceived to be highly unequally distributed.

The drive to transform the East Central European economies along market capitalist lines has been spearheaded largely by intellectuals, professionals, and politicians who are liberal (in both the political and economic senses) and secular and Western oriented in attitudes. In Poland and Czechoslovakia these people are currently in power; in Hungary their main party (the Federation of Free Democrats) is not in power, but they still represent the kind of people who will be most closely involved in the processes of marketization and privatization. These people are really very much of a minority in all three countries; they have managed nonetheless to have a very strong influence on the direction of the postcommunist societies because they were prominently associated with the popular revolutions against the old regimes and because the average person in the street has been quite prepared to believe that the best—if not the only—alternative is the capitalist economics that appears to have worked so much better in the West.

In all three countries—but especially in Poland and Hungary—there is also another group of prominent

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people, including some intellectuals as well as politicians and religious leaders, who are much less liberal and Western oriented. These people are much more nationalist and Catholic than the pro-Western professionals; and they are also somewhat less enamored of the market and of integration into an international capitalist system. They are to be found in the Christian Democratic and Peasant/Farmers' parties, as well as in the Hungarian Democratic Forum; some are also in the right wings of Solidarity and Civic Forum. Their appeal is largely to rural areas and small towns, to peasants and the petty bourgeoisie, and of course to the more devout Catholics; they cultivate suspicion of "cosmopolitan" urban elites (often a euphemism for people of Jewish origin, who—although few in number after the Holocaust—are disproportionately represented among liberal and leftist intellectuals in each country).

As the economic transformation begins to take its toll on a growing number of losers, there is bound to be mounting public disaffection with the pro-Western liberal leadership that ushered in the changes. This will put great pressure on the liberal reformers (such as the Mazowiecki government has already been feeling in Poland), and it will generate a political climate in which opposition politicians can gain a great deal of support. Lech Walesa, who has become increasingly vocal in his criticism of both the Mazowiecki government and leading Polish liberal intellectuals (such as Adam Michnik), is discovering how well a populist/nationalist rhetoric plays in Eastern Europe. Other, less savory, characters have already emerged and will no doubt gain strength in Poland and Hungary, perhaps even in Czechoslovakia. Calls for a "strong man" to take over and protect the "little people" from economic adversity associated with the machinations of the Western-oriented leadership and their foreign capitalist allies may not be too far away.

It is hard to predict whether such trends would be more likely to lead to the emergence of a Peronist figure, with strong roots in an aggrieved and defiant labor movement, or a right-wing form of authoritarianism rooted in the peasantry and petty bourgeoisie. Yet another possibility is suggested by an alarm recently sounded by Soviet liberal reformer and Moscow mayor Gavriil Popov, who warns of the "dangers of democracy."* Popov foresees increasing contradictions between the new democratic environment in the USSR and the economic policies of marketization and privatization that he favors. In particular, he is worried about the growth of a new populism that would feed on the growing economic inequality inevitably accompanying such a transformation, and he therefore advocates "new and different political mechanisms" as an alternative to the "purely democratic model." In sum, authoritarianism of one kind or another—whether on the part of opponents or proponents of capitalist transformation—may be in the cards.

Is there no more optimistic scenario for the nations of East Central Europe? It is clear that the left will not become a force to be reckoned with in any of these countries unless it can somehow unite its disparate elements, develop a stronger base among workers, and project a plausible vision of the society of the future. A theoretical possibility, at least, is the development of a new coalition of left-wing forces—grouping everyone from reform communists through socialists, social democrats, and left liberals—with a strong base of support among workers and their trade unions. Such a coalition could formulate and oversee a more gradual transition to a market economy, preserving multiple forms of enterprise ownership and control, limiting the pace and degree of integration into the world capitalist economy, and spreading the gains and the losses from economic change more evenly throughout the population.

At the moment this prospect appears to be exceedingly dim. The most critical factor is the direction that the great majority of workers will take. This remains the biggest unknown, for workers in East Central Europe have yet to articulate their interests in a politically coherent way. When they do, we may be in for a surprise. The only safe bet is that political conditions are bound to change in dramatic ways in the coming years. □

* See Gavriil Popov, "Dangers of Democracy," *New York Review of Books*, August 16, 1990.

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Kenneth Barkin

WALLS EAST, WALLS WEST

The decision to dismantle the Berlin Wall on November 9, 1989, offers us the opportunity to reflect on walls in the past and their surprising renaissance in contemporary California. The most famous of all is probably the Great Wall of China. It was begun in 221 B.C.E. by the emperor Shi Huang to protect Chinese farmers from marauding nomads of the Asian steppe. Signal towers were constructed and troops garrisoned along the wall to form an impenetrable boundary between China and the barbarians of the outside world. Chinese emperors also viewed the wall as a barrier preventing criminals and deserters from fleeing the domain of Chinese law.

Most European towns were encircled by walls from the early Middle Ages until the quite recent past. Vienna's city walls were not taken down until the 1860s, when they were replaced by the broad Ringstrasse, which so impressed the young Hitler. Walls retained their function in Central Europe well into the nineteenth century and became the object of serious political discord between centralizing civil servants of the larger states, such as Prussia, and the local town notables. The issues dividing the two camps illuminate the functions that walls allegedly fulfilled. Curiously, the contrasting visions of the role of walls in civil society that divided Biedermeier Germans have reemerged in California, the trend-setting state whose innovations often give us an indication of where the rest of America is headed.

In 1760 a German jurist, Johann Justi, wrote, "Without them [walls] no place can be called a town, however large and handsomely built it is." For a town had to be constituted so "that nothing can get in or out without police oversight." Justi's view was widely shared by the artisans, craftsmen, and shopkeepers who made up much of the population of towns. For these solid, respectable citizens, the walls were the primary barrier preventing them from being inundated by the shiftless vagabonds who, in their imagination, resided beyond the walls. Specifically, the walls protected them from people of "bad reputation," which one artisan described as "beggars, tinkers, sharpeners, players, musicians, peddlers and Jews." Peasants, who might be romanticized by poets, were termed "shit-hens" by the townsmen because of the barnyard excrement on their shoes, which aroused disgust on market days when they were allowed inside the walls. Other terms for outsiders were immoral, incompetent, lazy, promiscuous, irresponsible, and homeless. Mack Walker, who studied the *mentalité* of the urban citizens, tells us that their way of avoiding conflict was to maintain separate, impenetrable worlds; the walls were the instruments to control who could enter the town and thus protected the "virtuous" from the "sinful" aliens.

With the rise of liberalism in the nineteenth century and centralized state bureaucracies, a persistent attack was launched on the walls and their defenders. Liberals sought full citizenship for all male adults and complete freedom of movement. The walls had to go. Liberal ministers could not escape dealing with the poor, the aged, and other marginal groups, whether they were within or without the walls. The urban middle class might close its eyes to the social problems beyond the walls and pretend they did not exist. Today we would call it denial. Civil servants had no such luxury. The modern state (c. 1840) wanted the poor to be settled and, if possible, transformed into taxpayers. The townsmen fought a successful rearguard action in the 1820s and 1830s to prevent people of "bad reputation" (a term they deliberately refused to define) from penetrating their sanctuaries. The revolutionaries in 1848 demanded and achieved an end to restrictions on movement. Although reaction set in after the revolution's defeat, it proved impossible to resurrect the walls. The coming of the railroad age also sounded the death knell of the enclosed town and city. Freedom of movement was enshrined in the German constitution of 1867, and even the Nazis were slow to change this heritage of Imperial Germany. Two hundred fifty thousand Jews emigrated legally between 1933 and 1939. The Berlin Wall, erected in 1961, was designed to keep the population from fleeing a Stalinist-type dictatorship. In a sense it was a return to the controlled

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pre-1848 society. Ironically, the wall was abandoned for the same reason that it was built—that is, to keep the population from fleeing, now through Hungary.

What has all of this to do with jet-setting California? In 1981, Indian Wells, the most affluent town per capita in California and home to Gerald Ford and Spiro Agnew, took steps to build a wall around its 1,400 inhabitants. Although three-quarters of the residents in the city already lived in what Californians call a "gated community," the city council wanted all of Indian Wells enclosed. At the time three other affluent towns—Rolling Hills, Hidden Hills, and Bradbury—were entirely enclosed. Maintaining that it would reduce crime, city councillors sought a barrier that would be staffed twenty-four hours a day by security guards, who would control those entering and leaving Indian Wells. Television monitors would add a further dimension of control that Chinese emperors and Biedermeier Germans lacked. The wall was estimated to cost $387,000, and, of course, police at the four gates of entry would have greatly added to the city's budget. Every householder was expected to pay $50 a month for the increased security. A lawsuit was subsequently filed by a country club and some town liberals to prevent the wall from being built. The latter objected to the ostensibly elitist character of the proposal. The Eldorado Country Club had built many homes within gates along its golf course and feared residents would revolt at having to go through two barriers to reach their front doors. One barrier meant security; two clearly would be disruptive and depress real estate values. After three years of litigation, California Superior Court Judge Fred Metheny ruled on technical grounds against the wall in January 1984. Supporters of the wall claimed he had been prejudicial and had made gratuitous remarks about walls creating a prisonlike atmosphere. A city councilman said the comment cast aspersions against "the Indian Wells way of life," which was described as "private."

On the face of it the decision seemed a victory for both cosmopolitan citizenship and property values. The issue, however, had received extensive coverage in California, and, with increasing crime in the eighties, the idea of "gated communities" began to intrigue real estate developers. New developments with new walls did not violate any state laws. In 1980 there were no walled communities in Los Angeles's sprawling San Fernando Valley. Today there are over one hundred, and the number is rising rapidly. Realtors and developers have found that demand for houses within the walls is three times greater than for conventional houses. Whereas the latter sell on average sixty days after being put on the market, thirty days is the norm for the former. When asked why they buy houses within the walls, Californians respond as did Biedermeier Germans a century and a half ago. They feel protected from criminals, beggars, and the homeless. They say there is a greater sense of community behind the walls, and they do not mind paying for street maintenance and lighting. Those residing in such developments for a year complain about defective gates and unstaffed barriers.

Ironically, police in Newport and Irvine have found that the crime rate is not significantly different within the walls. Burglary and robbery are as common outside the walls as within. Police attribute this to residents' leaving their doors and windows unlocked because of a false sense of security. Many crimes are perpetrated by construction workers, resident teenagers, and those who slip over the walls. A good deal of crime is intrafamilial, for which the walls are irrelevant. Police recently claimed it is more difficult to apprehend criminals because they have trouble getting inside the walls when the barriers are unattended.

Despite these findings, more and more Californians are choosing to live in "gated communities." Even the police are getting into the act. The *Los Angeles Times* recently reported, "In a radical proposal to curtail drive-by drug sales, L.A. police want to permanently barricade public streets in a twelve square block area in the San Fernando Valley and erect a guard station to admit only residents and their guests." Ignoring the Newport and Irvine crime studies, L.A. police commander Chet Spencer said, "Why should [solid citizens] be subjected to the danger and shootings that go along with drug activity?"

This sharp departure from traditional methods of law enforcement is being watched by police chiefs across the country. For years gangs in Los Angeles have established turf boundaries that delineate areas under their control. Perhaps it is the folk model that the more affluent are now seeking to emulate. Lest easterners think this is a typically mad California phenomenon, it should be noted that residents of the Seagate area of Brooklyn recently voted to enclose their neighborhood to keep out pedestrians from surrounding poor areas. Blacks and Hispanics claim this innovation is designed to keep them out—a form of apartheid.

One may well ask what this all means. Are we like the Celts of Ireland, who built round towers for security against the Vikings, or the solid German burghers, who did not want Gypsies, Jews, and "shit-hens" from invading their respectable Chris-

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tian community? The answer, I think, is affirmative. In practice, we are rejecting the nineteenth-century liberal heritage of freedom of movement for all citizens. Oddly, we do this just as Eastern Europe is adopting this traditional liberal goal. We feel increasingly threatened by members of our own society, and the solution is to create separate spheres with as little contact as possible between the self-proclaimed people of virtue and the others—our contemporary version of the barbarian hordes of the Asiatic steppe. Your typical German townspeople did not concern themselves with what they could not see. They may, indeed, be the model for America on the eve of the twenty-first century. □

George Packer

CAMBODIA: FACES SAVED AND LOST

The State Department's decision to stop supporting the Cambodian rebels reminds me of an experience I had that began in Bangkok and ended in a refugee camp on the Thai-Cambodian border. Although it happened three years ago, it might as well have been last month, for one feature of such places is a deadly timelessness.

Downtown Bangkok: A Thai gem merchant collared me in the Temple of the Golden Buddha. Hearing that I was a writer, the gem merchant politely wondered why I hadn't visited the camps five hours to the east. Thailand was not just temples of golden Buddhas, the gem merchant said. Things, human things, were happening here—I had an obligation to see.

I blushed, went out, and hailed a driver, who blinked and smiled as if I were trying to hire a car to Kabul. But like most people hustling a living in Bangkok, Tae Won had a price—seventy-five dollars including gas. He was an ex-soldier, plump, bland, and meticulous about his Nissan; he belonged to the class of urbanized peasantry that barely stays out of the slums; he was ambitious and conservative. And as we neared the Cambodian border, where rice farmers muffled by red-checked scarves were up to their knees in the paddies, he began to complain a little about our destination.

He'd never been to the camps; he had no idea what they were like and didn't much care. But—like many Thais on this subject—he thought there were already far too many Cambodians in Bangkok, and he wanted the several hundred thousand in the camps to stay there, if they didn't get out of Thailand altogether. Anyway, Vietnamese troops had once shot at him across this border, from these mountains and these trees. He didn't see an overwhelming need for a visit.

We both fell silent when we drove into Site 2. One hundred sixty thousand refugees lived here, and they all seemed to be out on the dirt roads. What's more, all of them looked under twelve. Children with wild faces, long-haired, mostly naked, swarmed around Tae Won's polished Nissan, and his jaw tensed. He had the air conditioner on and the windows up, so all we heard was a remote, high-pitched roar. We rolled past endless rows of tiny thatched shacks separated by tiny plots of earth, uniform and symmetrical as tombstones in a cemetery. It was four o'clock; the light was failing under storm clouds. In an hour the camp would close to visitors. And school was letting out. Pupils—clothed flotsam—poured from classrooms to the clanging of a bell. So my one and only interview was with the assistant headmaster of the primary school.

It was startling to see an adult. He came out of a

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bamboo office looking somewhat startled himself. I assumed this was due to the appearance of a Thai, an American, and a Nissan in his schoolyard, but in fact alertness was permanently stamped on his face. It was the face of a man who's been taking orders for a long time, or is still trying to make sense of a perpetual enigma, or hears footsteps, or has found himself in charge of 160,000 children.

Svay Nhim was as lean as Tae Won was fleshy—some combination of diet, anxiety, and his having once been a Buddhist monk. He was also a Vietnamese of Khmer origin, and this inheritance won him prison terms under both Thieu and the communists. The second stay lasted three years and seven months. Not long after his release in 1979, Svay Nhim followed the Vietnamese army across the border into Cambodia, taking advantage of the chaos to make a run for Thailand and freedom. Almost at once he lost most of his cash to a profiteering money changer. It took him six days and six nights to cross Cambodia.

Svay Nhim traced his route on an old and colorfully illustrated map over his office desk that suggested his journey had been full of wonderful elephants and pagodas. He spent some nights in villages, others in fields. Some Cambodians took him in, some gave him food, some refused him. Wearing Khmer clothes, he persuaded most people who asked that he was a Cambodian. A unit of Vietnamese infantry he encountered in a field was not convinced and fired on him when he ran, but missed. He knew he had no story capable of mollifying the Khmer Rouge, but in the northwestern jungles he managed to avoid them. At last he reached safety in one of the Thai border camps that were filling up with refugees from the Khmer Rouge and the Vietnamese.

He'd been there ever since.

An illusion of impermanence had been enforced by the Thai authorities for almost a decade. They allowed no one to farm; no one to buy or sell; no one to leave without permission. A few who'd gone outside the wire fences in search of game or vegetables or firewood to sell on the black market had been shot. Svay Nhim had agreed to help run the primary school so that he wouldn't lose his mind from boredom.

Most people he knew in Site 2 no longer held out any hope of emigration to Australia or the United States. Nor—and on this he was passionate—did they expect to live out their lives in the camp. His only hope, he said, was that one day he could live in his ancestral homeland, Cambodia. In his hierarchy of fears the Thai military authorities were third, just below the Vietnamese troops who occasionally shelled the camp. Alone at the top were the Khmer Rouge. He himself had suffered nothing at their hands, but Svay Nhim said that some things you didn't have to suffer personally. He'd seen and heard enough from other residents of the camp to know.

All this was said in a rush, and by the time he finished it was a few minutes to five. The sky had turned quite dramatically black and white. We embraced—awkward for me because *I* was being thanked by *him*. Then Tae Won grabbed Svay Nhim's hand. I'd forgotten about the driver. His face had altered completely: its round contentment was crumpled between the story we'd just been told and the mob of kids that had gathered around his Nissan during the telling. Pity and panic froze him; panic won and he ran out, apologizing to Svay Nhim with his eyes and scattering the children with shouts.

We negotiated the main road out, now clogged by impossible numbers of them, like a city of orphans—the naked and the half-naked and the dressed. When we had gotten free of the last running waif and then the camp, the green mountains behind us and the sky ahead riddled with lightning, I understood that for Tae Won Site 2 had become one of those things that you didn't have to suffer personally. He had seen, as the gem merchant insisted. And he confided that he'd had no idea it would be like this. Most of those children had known nothing but the inside of a camp. What had shaken him most were the tales of abuse and murder on the part of the Thai camp guards. He thought that all Thais should come here to see what was happening in their own country. "Shame," he said more than once—and said little more, all the way back to Bangkok.

Svay Nhim, who has more cause to hate the Vietnamese than the U.S. State Department does, expressed none to me. Until a few months ago the State Department apparently based its Indochina policy on pure spite. Vietnam defeated us, Vietnam held the remains of a few thousand of our soldiers; therefore, we had to permit the return of the Khmer Rouge, indirectly arming them through our ally Prince Sihanouk, who had dwindled to little more than a convenient front man for them. The scores were old, and everybody had one to settle. Sihanouk couldn't lose face by making a deal with his archenemy of the moment, Prime Minister Hun Sen; the Chinese couldn't lose face by abandoning their murderous surrogates, the Khmer Rouge; the United States couldn't lose face by accepting the fact that

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the communist regime in Vietnam existed. One result of all this diplomatic face-saving has been that Svay Nhim and a few hundred thousand others must waste away in the border camps.

Tae Won never much liked Cambodians. He needed only one trip to the border to see what it means to be Khmer in the late twentieth century. But for the two decades in which the country disintegrated, the U.S. government wouldn't see what was before its eyes. The opposite of losing face is not saving face, but willful blindness. After the Vietnamese lost theirs by withdrawing in 1989, the Cambodian war entered a new, bloody phase. But months went by without a word from the State Department, and it seemed that, when we finally opened our eyes, the Khmer Rouge, killers of a million Cambodians, would be in power again.

When the Khmer Rouge were within forty miles of Phnom Penh, we made our move. "We want to do everything we can to prevent a return of the Khmer Rouge to power," said the Secretary of State on the day he announced that our recognition of the rebel coalition would be withdrawn and talks with Vietnam to end the war would start. Although those were decent and necessary decisions, there's evidence that they were made too late. The Khmer Rouge has apparently taken over or infiltrated enough of the country's towns and villages to stand a chance of winning elections supervised by the United Nations, which have become everybody's last hope for Cambodia.

Why did we wait so long? And why did we finally reverse ourselves? It's not unfair to give the same answer to both questions: we were saving face. But as Svay Nhim pointed out, one didn't need a personal experience of suffering to know that this war would not be best for the Khmer people, including the 160,000 of them in Site 2. □

Ferdinando Adornato and Gabriele Invernizzi

INTERVIEW WITH MICHEL ROCARD

The following interview with the Socialist Prime Minister of France has been excerpted from one conducted by Ferdinando Adornato and Gabriele Invernizzi that appeared in Verso il due mila #1: La nuova civiltà *(supplement to* L'Espresso, *March 18, 1990).*

F.A. & G.I. What has the word "left" meant for the twentieth century? Destruction or creation?

M.R. Creation. Always. By definition. The word "left" evokes two categories at the same time: aspirations, points of reference, ethical values; and then a system of rationalizations based on these values, that is, social prescriptions for the conduct of public action. At a time when some rationalizations—those that had become perverse—are changing profoundly, if not collapsing, it's necessary to remember that from an ethical point of view, nothing is changed. Even today, whoever says "left" is saying "the will to change, more justice, more equality, more democracy, more pluralism."

F.A. & G.I. So the bottom line seems positive to you?

M.R. Before thinking about bottom lines, it's necessary to examine the second meaning of the word "left"—what I call the system of rationalizations of left values. Underlying the system was the implicit and rather stupid hypothesis that in order to liberate man (who is fundamentally good) from the evils of capitalism, private property, profit, and competition, all that was needed was a political power not tied to those things. The opposite has been proven true. Today the end of this system of perverse rationalizations leaves the majority of left activists in the world without an identity—without that socialist identity based more on the rationalizations than on the initial values. So today we need a formidable effort of intellectual creation to reinvent a system of government rationalizations that respects all hopes but also accepts the fact that man is not necessarily good, but can be, just as he can be bad; that an economy functions only if it's competitive; and that we'll have more social justice only if we establish better rules for the market.

F.A. & G.I. But with the historical crisis of the communist systems, doesn't the utopian notion of new relations of equality and justice between men

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also disappear? Or do you think that it can be rewritten?

M.R. I can only say that human beings don't live without hopes and therefore there's a need for utopia. The horrible experiences of this century will leave us more lucid about human beings and their ambivalences. I, for example, no longer believe—if I ever did—in communitarian ideals. Perhaps new collective ideas will be found—I even think they're close at hand—but with the condition that they be better adapted to the circumstances of man as he is.

F.A. & G.I. Does the term "socialist society" still have meaning for you?

M.R. Institutionally, no. Among the one hundred sixty nations sitting in the United Nations, about eighty proclaim themselves socialist; and they go from Albania to Sweden, taking in China, the Soviet Union, and François Mitterrand's France along the way. On the ideological level, I've already told you what I think. In short, I don't believe in a reawakening of communism. I think rather that the intellectual work to elaborate the rules of a new public power that wants to assure more equality and less arbitrariness in a society where competition isn't negated—this will be the great challenge of the century's end.

F.A. & G.I. What are the key ideas that can guide the left of the 1990s?

M.R. One day I tried to enumerate them, and I counted seven. [The first is] freedom. To come and go, to express one's own opinions, to join a union or a party, and so on—but also the freedom to buy and sell what one wants. Because it doesn't matter whether the seller is private, cooperative, or nationalized, the market is a constituent element of freedom. It's good for socialist discourse to make this truth its own. But doesn't the market amplify—one might object—all inequalities? In fact, it's necessary to place limits on the market. But a society without a market is without freedom.

F.A. & G.I. And the second?

M.R. Democracy. One might think that democracy is synonymous with freedom, but I want to refer with this word to the content of public power. And here I include pluralism, representative democracy, and a careful mix of direct democracy (such as referenda and the election of the head of state by citizens) and the indirect democracy of powers delegated to elected assemblies. I add that democracy is not a luxury reserved for rich countries. It's the condition of any lasting economic and social development.

F.A. & G.I. And the third idea?

M.R. The third idea is autonomy—in the sense of self-management and decentralization. Autonomy signifies that in the organization of public power what's needed is a system that permits every decision to be made in the most direct manner possible by those who will implement it and by those who will be affected by it. And also that the control of decisions be from below and not just from above. On the economic level, autonomy means struggle against monopolies and concentration, but this struggle can begin inside enterprises—with the discovery by workers that the valuation of an individual is not determined by salary and duties alone, but also by winning an area of responsibility. For this reason, autonomy is tied to the idea of self-management and decentralization.

F.A. & G.I. Value number four, Mr. Rocard?

M.R. I would call it domination of technologies. Today we are more victims than masters of the technological leap. This is true both in the automation of work—which is done brutally without taking into account the central idea of man—and in the field of biological experimentation. In the relations between man, matter, and life, the products of scientific research have progressed much faster than philosophical inquiry. Here also it's a question of reaffirming that, like the economy, science, too, must be at the service of man, and not vice versa.

F.A. & G.I. Now we're at five.

M.R. Solidarity—that is, the permanent will of public powers to assure above all else the nonmarginalization of all handicapped, of nature, health, economic development—and then a redistribution of income that takes into account the hierarchy of talents, more tiring types of work, and responsibilities. Today what a soccer player or television star earns provokes disorder and instills money values throughout society. One day, we must confront this problem seriously. But I don't think our Western societies—which were so afraid of collectivism and feel they've saved themselves from penury and the gulag thanks to market forces—are ready to reflect on this subject. It's too soon. I'm convinced, however, that if

Note from Eastern Europe

"The iron doors of history" give at last
And we walk through them from the rigid past,
Free! free! we can do anything we choose
—Eat at McDonald's, persecute the Jews.

—Thom Gunn

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money continues to be an exclusive point of reference, it will definitively corrupt these societies.

F.A. & G.I. And what do you put in sixth place?

M.R. The supremacy of law. There's no civilization without law. Reaffirming this supremacy today becomes an absolute necessity because in the absence of international law, any state has the right to massacre its own people. Think of Pol Pot. The concept of the supremacy of law also holds for the economy. And here I'd like to underscore the great intellectual swindle I mentioned earlier. When speaking of civil liberties, no one imagines that included among them is the freedom to kill or to steal; and consequently one accepts the idea that there's no freedom without laws, a system of justice, police. When, however, one moves to the domain of economic exchanges between men, freedom is called the right to do anything—to trick, to sell below cost, to create economic concentrations . . . and every law, system of justice, or police that intervenes—even if only to control product quality—is decried as state planning, as entry into the gulag. All the same, there's no freedom without a market. So what's to be done? We must invent an international law that's also applicable to the economy.

F.A. & G.I. We're at number seven, the last.

M.R. Peace. This idea should induce us to find the solution to every conflict through negotiation and not force. I firmly believe this, and I've demonstrated it. In New Caledonia, the government preceding mine used gunfire; I negotiated peace.

F.A. & G.I. Do we stop here?

M.R. No. I want to add a point that's very important to me. These seven values I've listed aren't the exclusive property of the West. When transferred to the level of social organization, they're also the most effective means to assure the development of the Third World.

Translated from the Italian by JOANNE BARKAN □

Hanna Papanek and Goenawan Muhamad

FROM THE LIFE OF AN ASIAN SOCIALIST

A like-minded contemporary of Andrei Sakharov's died over a year ago in Indonesia. Dr. Soedjatmoko (1922–89)—"Koko" to all who knew him—had been rector of the United Nations University and Indonesian ambassador to the United States. As Indonesia's leading intellectual, his involvement in international matters began very early, and his later influence extended far beyond the boundaries of his own country. He was, at different times, a nationalist revolutionary, a journalist, a publisher, a scholar, a diplomat, an educator—a man who knew a lot and did a lot about many different things.

Dr. Soedjatmoko was a uniquely Asian counterpart of those dissident European intellectuals who are the voices of reason—of the Enlightenment—in a world that too seldom has listened to such voices. At a time when many people in the West believe that being a Muslim means being an extremist, Soedjatmoko had combined his deep religious beliefs in Islam with his convictions about democracy and human rights to achieve what he called a "dual cultural consciousness." And in a world where "socialism" is often used as a dirty word, Soedjatmoko was not afraid to act as a democratic socialist, even though his party (the Indonesian Socialist party, PSI) had been banned since 1961, under two regimes with very different political views. His dissident stance, based on democratic socialism and an emphasis on free expression, was ultimately disliked by both of these regimes, perhaps indicating a degree of continuity between them that is not generally recognized.

His death caused an outpouring of highly political personal stories about the man and his ideas in the Indonesian press, indicating the country's nostalgia for a time when freedom of expression was legitimate and ideas were a matter of great importance. Koko's continuous engagement with free ideas had been an inspiration to many writers who often found their expression trampled by either left-wing revolutionaries or right-wing military censorship. But these articles also carry current significance for the government of President Suharto, in power since the mid-1960s, even if everything is said in the carefully modulated Indonesian style.

Many of the stories about Koko in the Indonesian

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press also carried a message as exemplified in his life: the dilemma of the rational democratic socialist who wants radical change without violence but is also faced by the need to sustain popular commitment to his cause. Here are a few vignettes, drawn from our personal observations, that make this dilemma clear.

Soedjatmoko faced this dilemma, perhaps for the first time, as a student activist in the Indonesian nationalist revolution of the 1940s. In 1945, the young Soedjatmoko was witness to an extraordinary but little-known debate in the Indonesian nationalist leadership. The late Harold Isaacs (then a *Newsweek* correspondent covering the nationalist revolutions in Asia) had brought a letter from Ho Chi Minh to the nationalist leadership in Indonesia. In the letter dated Hanoi, November 17, 1945, Ho asked the Indonesians to join forces to rid the area of the colonial powers and carry out an Asian revolution.

In an accompanying document, Ho proposed the text of a "Common Declaration by Viet Nam and Indonesia" that began as follows: "We the peoples of Indonesia and Viet Nam proclaim to the world our complete solidarity in our common struggle for our common cause: liberation and independence from foreign domination." The declaration argued that "the actions of Great Britain on the battlefronts of Indochina and Indonesia and . . . the silence of all the other Great Powers in the face of the efforts of France and Holland to re-establish their empires by force [show] that we must depend on ourselves and ourselves alone to win our freedom."

According to Soedjatmoko's memory, the Indonesian nationalist leaders felt that such a move would weaken their chances to attain independence quickly. They felt that the Indonesian revolution was based on nationalism and would soon overcome the Dutch, who were a weak colonial power, while the French, very strong, would hang on to Indochina for a long time. Moreover, the communists played an important role in the Indochinese independence movement, which was not the case among Indonesian nationalists, and they felt that this was likely to create serious problems later on.

The young Soedjatmoko argued against this view, saying that it was a betrayal of the Asian revolution, but the nationalist leaders were not persuaded. The letter was never answered. In retrospect, Soedjatmoko believed the Indonesian leaders made the correct decision, but at the time he was deeply disappointed. The implications of this correspondence reach well beyond Indonesia. Did the refusal of the Indonesian leadership mean that Ho Chi Minh's declaration was never sent elsewhere? Did it reach Indian leaders? If so, what was their reaction? Historians may have the answer to that question; if not, they might want to explore the issue further.

To be a democratic socialist was not a comfortable position in Indonesia, especially after the late 1950s. The PSI, to which Koko belonged, failed to gain mass support after the 1955 election, becoming a minority party led by intellectuals who were not up to the demanding job. The PSI was also anathema to Indonesian politicians and military officers who were wary of intellectuals. The PSI was "too westernized," they would say, because it did not succumb to the nationalistic ideologies and revolutionary rhetoric of the time.

Things got worse for the Socialist party after 1958, when President Sukarno, backed by the communists and the army, put an end to Indonesia's constitutional democracy and introduced what he called "Guided Democracy." Sukarno appointed himself the "Great Leader," hunting down "counter-revolutionaries" and curtailing channels of dissent. The PSI and other parties were denounced as illegal, their leaders jailed, their papers banned.

Because Sukarno liked him personally, Koko could still enjoy some degree of freedom, at least in the early days of "Guided Democracy." *Siasat*, the magazine that he co-edited, continued to reach a small segment of the Indonesian public.

The publishing house Pembangunan, where he was one of the executives, even succeeded in printing a translation of Boris Pasternak's *Doctor Zhivago*. Because the book was banned in the Soviet Union, the then powerful Indonesian Communist party (PKI) viciously attacked its publication in Indonesia. In 1961 Koko discussed its merits from an Indonesian perspective. He stressed the need to preserve the spiritual assets of the people even in a revolutionary time when everything was to be sacrificed for a new society. The novel, Koko wrote, "reminds us that besides life-in-history, besides life-in-politics, there is another way of life, based on the search for truth, filled and covered by a love for life itself."

For some readers of *Siasat*, this review was a milestone in their intellectual development. But what makes it especially important is that it was published as an explicit statement of dissent during a time of pervasive politicization of Indonesian cultural life. This trend was briefly—and unsuccessfully—challenged in 1963 by a group of Indonesian writers, many of whom were Koko's friends. These writers signed a manifesto, called "Manifesto on Culture," stating their opposition to communist attempts to enforce the doctrine of "socialist realism" in Indonesian literature. For the first time in the Indonesian Republic, intellectuals had come face to

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face with a powerful mode of state control—something that continues today.

Koko himself was not asked to sign the cultural manifesto, even though he was in complete sympathy, because the writers felt that open endorsement by a member of the PSI would doom their effort. Nonetheless, the manifesto was quickly banned and the signatories accused of being agents of the PSI. Many found themselves unable to write for publication after signing the manifesto; some lost their jobs.

Questions of freedom are no clearer in Indonesia today. The "New Order" government of President Suharto, established after massive rioting and killings in the mid-1960s and the fall of President Sukarno, was often no more receptive to independent views than its predecessor government. For much of Indonesia's independent history, forces on the left and on the right have sharply limited and sometimes crushed freedom of expression.

Soedjatmoko's experiences have been instructive. His Socialist party had been banned under Sukarno in 1961 and remained illegal under the "New Order" government. *Pedoman* [*Compass*], the daily newspaper that Soedjatmoko founded in the 1950s, was banned by Sukarno in 1961 and revived under Suharto but then banned permanently in 1974. Also banned at that time were several other newspapers, including the daily *Harian Kami*, published by a student group that had been important in the overthrow of President Sukarno.

Soedjatmoko himself, who had been ambassador to the United States in the early years of the Suharto government (1968–71), was subjected to humiliating interrogations in mid-1974 by agencies of the government. In January 1974, following student demonstrations against a visiting Japanese prime minister that had "gotten out of hand," possibly because of people who had infiltrated the demonstrations—the "Malari" events—some former members of the PSI were falsely accused of having helped prepare the student demonstrations. Many younger people, who had never been PSI members, were given jail terms. Soedjatmoko himself was not among those jailed in January 1974, but a short time later he was refused a passport to go to the United States in response to an invitation to testify (along with Roy Medvedev and others) at congressional hearings on human rights.

Small wonder that the citation for his 1978 Magsaysay Award—Asia's equivalent of the Nobel Prize—praised him for not letting "concern for himself" inhibit "forthright expression" in order "to meet one of the greatest challenges of our time, how to make life more decent and satisfying for the poorest forty percent."

Koko saw this great challenge in complex global terms and, especially in his later years when he was no longer being heard by people in power at home, he turned increasingly to a global audience. He became part of a worldwide network of people who developed research and policy agendas on many international issues, ranging from economic and political relations among nations (the Brandt Commission, the Palme Commission, Williamsburg) to the ecological future of the planet (United Nations University), to Third World poverty (WIDER, the World Institute for Development Economic Research), and to the development of Islamic architecture (Aga Khan Foundation), but freedom of expression and higher education were always at the top of the list.

He had laid the groundwork for this work during a period of scholarly research in the 1960s, most notably in his edited volume, *An Introduction to Indonesian Historiography* (Cornell, 1965) and his essays on *An Approach to Indonesian History: Towards an Open Future* and *Cultural Motivations to Progress: The "Exterior" and "Interior" Views.*

His 1967 Dyason Memorial Lectures in Australia (the *Australian Outlook*, December 1967) are probably the best short exposition of Indonesian history up to that time. Soedjatmoko summarized some of his convictions:

> The jump from the a-historical *Weltanschauung* of traditional agrarian society, with its chiliastic yearnings for the perfect society, to the closed and self-contained system of thought and the vision of the perfect state of Marxism is apparently a smaller one than the jump to the concept of an open future and the acceptance of the Imperfect State as part of the human condition. It is much more difficult to feel attracted to the insecurity of freedom than to the historical inevitability of a perfect world order from which comfort and strength can be drawn.

In the last conversations we had with Koko, we shared our excitement about the opening up of many closed societies. Most important to him was the sense that the ideas of democratic socialism were being rediscovered and might have a new chance. Soedjatmoko would have agreed with Vaclav Havel when he stated on February 21, 1990: "We still don't know how to put morality ahead of politics, science, and economy. We are still incapable of understanding that the only genuine backbone of all our actions, if they are to be moral, is responsibility—responsibility to something higher than my family, my country, my company, my success." This statement was very close to the credo by which our friend Koko lived. □

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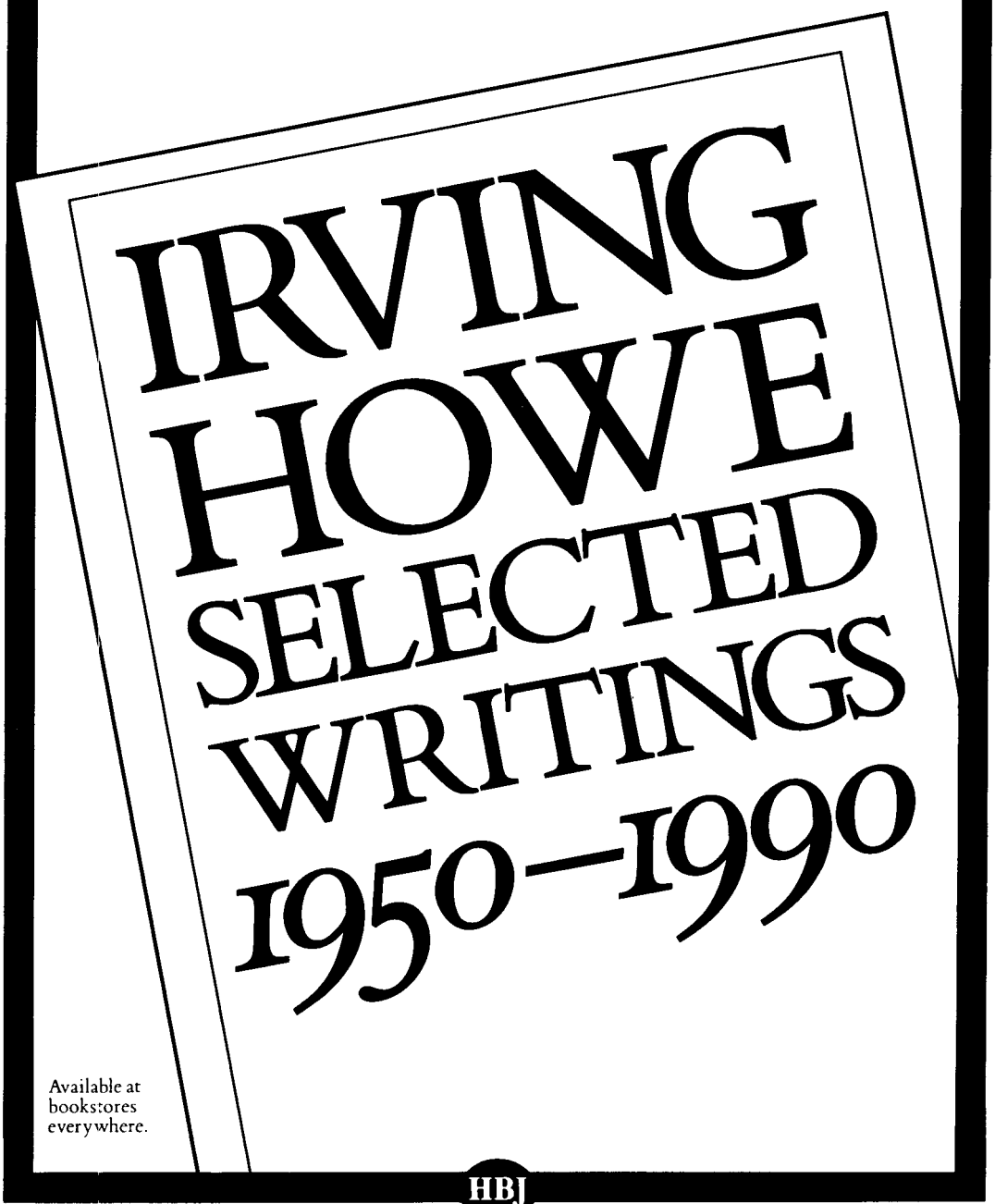

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Harold Meyerson

A POLITICS IN AMERICA?

Populism, Race, and Apathy

It's not the populist moment yet—not because the elements aren't there, but in large part because the Democrats don't know how to put them together. The 1990 election results point to a voter revolt in which neither the left nor the right can take great comfort. Still, the terms of debate are starting to shift in a populist direction. Democrats may no longer know how to make a populist speech, but by the end of October, the least of them were quoting Kevin Phillips.

October was the turnaround month. In September, Paul Goldman, chair of the Virginia Democratic party, brought a resolution before the Democratic National Committee insisting that congressional Democrats oppose any new taxes—progressive, regressive, or in-between. Goldman was acting as an agent of Virginia governor Douglas Wilder, the conservative Democrat who, said Goldman, personified "the new mainstream where budgets are balanced by cutting government waste and unnecessary spending, and reordering priorities." Just five weeks later, facing a choice between raising taxes in a moderately progressive direction or hiking Medicare fees and delaying unemployment benefits, the congressional Democrats, including four of the five Virginia congressional Democrats—and two of the five Virginia congressional Republicans—voted for the higher taxes.

By the fall, for the first time since 1965, liberals were starting to define the domestic political agenda in America. To be sure, the tax and budget package that Congress enacted was no revolutionary document, amending a tax code that was outrageously unfair into one that was merely maddeningly so. But the debate over taxes—though not the taxes themselves—positioned the Democrats as champions of equity, while the Bush administration adamantly and suicidally resisted any deal that included a surtax on persons with annual incomes over $1 million. With Republican National Chairman Lee Atwater sidelined by a brain tumor, the Bush administration was left with no political brain at all.

The effect of such Republican solicitude for wealth was immediate and substantial. In 1989, according to an NBC/*Wall Street Journal* poll, the Republicans led the Democrats by 10 percent on the key question of which party was better equipped to manage the economy; by the end of the tax-and-budget debacle, they had fallen 5 percent behind the Democrats. By late October, respondents identified Democrats as the better party to safeguard middle-class interests, by a margin of 47–18 percent. Most alarmingly to GOP insiders, the private polls of the National Republican Congressional Committee showed that the percentage of Americans identifying themselves as Republicans declined by 10 to 12 percent in October alone. The full extent of Republican decline was not reflected in November's voting, in part for the very reason that Republicans frequently adduce when complaining about the Democrats' control over Congress: the noncompetitive nature of most congressional races (although the number of winners who received 55 percent or less rose sharply). Of perhaps greater importance, the populist turn arrived with the Democrats woefully unprepared—having failed to tend to such details as registering working-class voters or teaching their candidates to

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speak before gatherings other than high-dollar fundraisers.

It might not have arrived at all were it not for the publication this summer of Kevin Phillips's *The Politics of Rich and Poor*—a volume that by late October had become a strategy guide for Democratic candidates. Phillips begins his book with an analysis of the economy that *Dissent* readers will recognize from the works of Kuttner, Reich, Harrington, Lekachman, Faux, et al.—an account of Reaganomics's immiseration of the poor and squeezing of the middle class to benefit a new class of absurdly overpaid paper shufflers. Phillips then situates Reaganism within a cyclical theory of Republican rule, in which Republicans come to power as the tribunes of the middle class (Lincoln, McKinley, and Nixon) and flame out as the agents of speculative wealth (Hoover and, presumably, Bush). Finally, he proclaims that the current Republican cycle is coming to an end and that the populist moment is virtually upon us—with all due allowances for the usual Democratic ineptitude.

Surprisingly, the political prophecies are the weakest link in *The Politics of Rich and Poor*. In his earlier work, particularly in *The Emerging Republican Majority* (1969), Phillips's political trend-spotting was buttressed by a rich and detailed account of shifting voting patterns: of white flight from the Democrats in the south and the ethnic suburbs, or, years later, of the Yuppie-Pacific-college town counter-drift to the Democrats. *The Politics of Rich and Poor*, by contrast, suffers from the past decade's scarcity of populist campaigns. Except for a few fleeting moments—Michael Dukakis's belated turn toward populism at the close of his campaign, Ted Kennedy's belated populist surge in his 1980 campaign against Jimmy Carter (the only populism Democrats feel comfortable with is belated populism)—there's nothing there for Phillips to examine.

The plausibility of Phillips's scenario—and, more broadly, the viability of progressive populism—has been called into question by Tom Edsall's important review of Phillips's volume, in the *New Republic*. The impediment, writes Edsall, is the politics of race: that in states with large numbers of blacks, white voters increasingly shun the Democrats, liberalism, populism—even if frequently at their own expense. Moreover, Edsall notes, the Republicans' southern strategy, as propounded by Phillips and first pursued by Nixon back in 1968, was central to destroying the prospects for cross-racial populism. By failing to come to terms with the politics of race, Phillips also refuses to grapple with his own legacy.

The political geography of this fall's populism tends to confirm Edsall's critique. There were a number of successful left candidates among the congressional Democrats' Class of 1990: Hawaii's Neil Abercrombie, Oregon's Mike Kopetski, Connecticut's Rosa DeLauro, Maine's Tom Andrews (not to mention Vermont's independent socialist Bernie Sanders), to name just a few. On the Senate side, Minnesota's Paul Wellstone, mentor to many DSA members at Carleton College, campaigned successfully on a platform of national health insurance and raising high-income taxes to 38 percent.

Still, in an election conducted on the brink of a recession, what's striking is the small number of contests in which Democrats ran economically progressive campaigns before the October budget crisis—and the concentration of those campaigns in states with small black populations. In 1988, moreover, Jesse Jackson ran best among white Democrats in those states with the smallest black populations. In the 1988 general election, Dukakis ran well in the nonindustrial states hugging the Canadian border—and failed to carry the majority of white male voters in any state with a sizable black population.

There was a voter revolt at work in the 1990 elections, but it was neither populist nor conservative in character. For all the talk of the revolt against taxes, this was not a rerun of the antitax heyday of Proposition 13 and the Reagan ascendancy. Seven of the eight taxing-and-spending limitation measures on state ballots lost, including the two key tax-cutting propositions in the nation, Massachusetts's Question 3 and California's Proposition 136. (And the *Wall Street Journal* reports that

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congressional Democrats are planning to push for an increase in the tax rate on highest income Americans and a surcharge on millionaires when Congress reconvenes in January.) Republican Jim Edgar, who favored higher taxes to fund schools, defeated antitax Democrat Neil Hartigan for governor of Illinois. Governors of both parties who had sponsored tax increases were defeated—but those increases characteristically were not progressive, and often were enacted despite the governors' previous pledges to oppose them.

Indeed, the revolt of 1990 was directed more narrowly against elected officials per se, against the legitimacy of a corrupt and insular political process, against politics as a vocation. This was a populism without program or working-class organization, a populism confined largely to supporting the "outs" rather than the left, a populism wide open to racism. Moreover, the near-absence of competitive races channeled the revolt into a relatively small number of races. Primary turnout, according to a preliminary survey from the Committee for the Study of the American Electorate, sunk to a predictable all-time low, with three notable exceptions in which voters were effectively tendered a referendum on their state's political establishments. The exceptions came in Oklahoma, Louisiana, and Massachusetts, and in each state, turnout soared. In Oklahoma, voters enacted a term limit on their legislators. In Louisiana, the Senate candidacy of Klan leader David Duke mobilized poorer white voters to such an extent that he captured 44 percent of the vote in an open primary. In Massachusetts Democrats anointed Boston University President John Silber, that terrifying combination of Hilton Kramer and Andrew Dice Clay—only to return in record numbers in November to defeat Silber once they had gotten to know him.

Still, if the populist project is to prevail, Democrats must overcome a delegitimation of government that has at least four distinct facets. The first attack—on the legitimacy of gridlocked and corrupted legislatures—is an issue that at least some progressives have already embraced as their own by supporting term limitations and voter-targeted taxes in states with initiatives. The second attack, on the fairness of taxes, is either an issue of the left or it is not an issue at all.

The two remaining attacks are more vexing for progressives, and they make up much of the underlying problem that New Jersey's Jim Florio encountered. The first is public skepticism at the capacity of numerous governmental agencies—schools in particular—to accomplish their mission, no matter how much funding they receive. (This may amount to blaming the victim: public education at the K-12 level has long been underfunded in America and the education of young people within our disintegrating inner cities would be a daunting project today even with vastly increased funding. But the skepticism is both real and in many cases clearly warranted.)

The last, and most troubling, attack is white opposition to programs designed to remedy racial inequities, be they affirmative action programs or spending equalization mandates between inner-city districts and other working- and middle-class communities. These latter programs tend to be ordered by courts rather than mandated by legislatures, but they pose a political problem to which the only progressive realpolitik response has been to advocate social programs that are targeted universally rather than narrowly and remedially.

Indeed, Democrats tend to do best—and voter turnout is highest—among those voters who experience government programs as universal—that is, among the elderly, recipients today of Social Security and Medicare, as once they benefited from GI college loans and FHA mortgage subsidies. If the average age of voters is creeping steadily upward, it is largely because the rewards of government remain tangible for the elderly, where they often seem remote to younger voters for whom the Democrats have been unwilling and unable to formulate programs.

So, is the populist project doomed by the politics of race and the limitations that they in turn place on governmental action? Phillips has not directly answered his critics—events have been moving so swiftly to confirm some of his predictions that he could claim he needn't bother—but two answers are implicit from *The*

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Politics of Rich and Poor. The first is that the populist moment follows a major economic downturn that for a time renders racial divisions of secondary importance. The second is that Phillips is not counting simply on populist economics to turn the tide but rather expects populism to be swept in on a nationalist current.

Phillips devotes his book's longest chapter to how Reaganomics weakened the American economy and benefited other nations, chiefly Japan's, in the name of free trade and the cause of global speculation. Clearly, his scenario for a populist ascendancy presupposes an economic downturn amid which a campaign takes off, much like the one Richard Gephardt waged in the 1988 Iowa primary. Gephardt came from behind to capture Iowa after redirecting his fire against policies promoting American capital flight—a whitebread version of Jesse Jackson, wrapped in the flag. Moreover, Gephardt registered his gains among self-described conservative Democrats, the voters the Democrats historically have lost to the politics of race.

But there are two impediments even in this scenario, the first of which becomes evident simply by recounting what happened to Gephardt after Iowa. Gephardt's newfound nationalist populism ran afoul of two critical groups in the nomination process. He was lambasted by the press, both for the suddenness of his conversion and for the politics he had converted to, which the press ridiculed as "protectionism." (No editor ever having lost his job as a consequence of foreign competition, the press worships faithfully at the church of free trade.) Gephardt also failed to expand his contributor base significantly despite his victory in the first round of the contest: Democratic money, centered in the bicoastal service sectors, was particularly cool to his politics, preferring the combination of social liberalism, economic neoliberalism, and free-trade othodoxy espoused by Michael Dukakis.

But it's the weakness of working-class forces—which is precisely what makes legislation like domestic content so hard to achieve in the first place (it's standard throughout most of Europe)—that remains the most profound obstacle to this kind of progressive transformation. By accommodating themselves to ever smaller turnouts, the Democrats subvert any turn to populism they may make. Jim Florio's supporters make the point that only the wealthiest 17 percent of New Jerseyans will suffer higher taxes under his reforms. But of those wealthiest 17 percent, nearly 75 percent turn out to vote. Among the remaining 83 percent, voter turnout is nearer to 30 percent.

The indifference of Democrats to the increasing disorganization of their own base remains one of the wonders of American politics. In the 1990 California gubernatorial campaign, Democratic nominee Dianne Feinstein had no field campaign whatsoever, and, with the rest of her party, stood idly by as voter turnout plummeted. Some 7.5 million of California's 30 million residents voted in November's gubernatorial election—600,000 *fewer* than voted in the 1982 Bradley-Deukmejian race, when the state population was only 24.5 million. Latinos, who constitute fully one-quarter of the state's population, made up 5 percent of the state's electorate this November. Ron Brownstein, political correspondent for the *Los Angeles Times*, notes that wherever he went in 1990, he found one hollow, underpopulated campaign after another.

Consider, by contrast, the most heartening victory the left has won in North America in years—last summer's triumph by Canada's socialists, the New Democratic party (NDP), in the elections in Ontario, the province comprising around one-third of Canada's population. The NDP represents something that has all but disappeared in the United States—a political party. "We do flat-out foot canvassing," says Vicki Cross, an NDP aide, "aiming for five voter contacts, three of them face-to-face, in the course of the campaign. In my district [in Windsor], with around 30,000 voters, we regularly put 100 canvassers into the field. The unions' shop stewards campaigned in the workplace, and the environmental movement waged a parallel campaign against the [incumbent] Liberals and on our behalf."

Like the 1990 elections in the United States, the Ontario voting marked the repudiation of a political elite. The behind-closed-doors Meech Lake agreement made by Canadian Prime Minister Mulrony and the provincial premiers to grant a limited autonomy to Quebec fueled a

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rage against government-from-on-high that contributed to the NDP's victory. The difference, of course, is that the NDP offered Ontarians a change not simply of players but of policy. That possibility is a legacy of an organized working class—and of the absence of the divisions of race.

In America, deunionization and the decline of working-class politics and organization renders these prospects ever more remote. In their new book, *Politics By Other Means*, authors Benjamin Ginsberg and Martin Shefter include a graph of voter participation rates from 1892 through 1988. The rate of participation starts rising around 1930, peaks in the mid-fifties, and has been declining steadily since the early sixties. That is, it rises, peaks, and falls in direct correlation to the rate of unionization. And at the bottom of the socioeconomic spectrum, the Democrats' hold is growing understandably tenuous. In a September 1990 survey undertaken for the Times/Mirror Corporation, the percentage of the "partisan poor"—those poor who have historically supported the Democrats—that currently identify themselves as Democrats fell from 89 percent in 1987 to 57 percent today.

The final obstacle to any sustained populist resurgence, then, is this new and more virulent form of American exceptionalism—by which I mean not merely the absence of a social democratic party. What now distinguishes our political culture is the virtual absence of any political mobilization at all. Think of it this way: alone among the East bloc nations in the post-Soviet period, Rumania and Bulgaria are so politically underdeveloped that they have yet to produce an alternative to communist rule. And alone among the Western democracies, the United States is so politically underdeveloped that it can no longer generate a democratic alternative to the market, a public sphere, a politics. □

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Bob Rae

A SOCIALIST CREDO

We present here a slightly condensed version of a talk given by Bob Rae, leader of Canada's New Democratic party (NDP) in Ontario and the new premier of that province. The text is taken from the Toronto Globe and Mail, *October 1, 1990. (The remarkable NDP victory in Ontario is described in a report on p. 19.) We think this text by Premier Rae is an admirably lucid statement of the outlook of democratic socialism.*—EDS.

Like millions of others around the world, I have cheered the triumph of popular democracy in Eastern Europe. But I refuse to interpret those astonishing events as a vindication of capitalism, or a repudiation of anything I would call democratic socialism.

The communist regimes in these countries have about as much to do with social democracy as does the Mafia. That they have collapsed is a tribute to the millions of democrats—many of whom are still proud and determined to call themselves socialists—who have fought them, from within and from without, since 1917. It has nothing to do with the ideas, beliefs, and nostrums of Conrad Black, Malcolm Forbes, Margaret Thatcher or the allegedly superior practices of General Motors or Bay Street.

Surely the triumphalism of the right is as misplaced as its Marxist predecessors: the socialist ideal will not disappear. It responds to something deep and important within human nature, certainly deeper than the acquisitive spirit, which is at the heart of this, and every other, capitalist revival.

Capitalism as a system of power and values is at once remarkably tenacious (and in that sense "successful"), and yet profoundly limited. It produces opulence and squalor, technological achievement and environmental disaster, personal triumph for a few and oppression and failure for many more.

It may not be fashionable to talk about love and solidarity as political and economic duties. These are, we are told, private things best left to private moments. But they are public values as well. There is a will to solidarity, to community, and to love. It can break barriers of class, of upbringing, of color, of language.

Yet we live in a business civilization that not only creates inequality, it also creates a culture in which many aspire, not to be equal, but to be better than, richer than, more powerful than, and apart from everyone else.

I went into politics as a result of a basic experience: as a dispirited graduate student I regained a sense of purpose and direction only when I went to work in London, England, in a housing-aid project helping homeless people and young kids in difficulty with the law. What strikes me now, some 15 years after that experience, is that in Toronto we now have the same level of absolute homelessness that I encountered as a community worker in north London, the same absurd contrast between the living and working conditions of my constituents and those of the power elite in our society.

Socialism is not a religion. It is no guarantor of personal spiritual happiness. It cannot protect us from all the tragedies of life. Politics should not try to do too much. But it must do what it can.

Politicians of all stripes are mouthing rhetoric about the environment. The question for socialists is not whether we will have policies on pollution and cleaning up the environment: these we have, and can continue

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to develop. The challenge we face is more compelling and difficult. Are we ready to become a "green" party, a party that puts as much emphasis on peoples' relationships with nature, and our obligation to future generations, as on the distribution of power and income?

If the answer is no, then our policies will simply be a marginal tempering of the status quo, increasingly difficult to distinguish from the environmental policies of the other parties. If the answer is yes, then we are talking about a different value system. This will mean a profound change for the party.

Social democracy has much to teach the green movement as well. If scarce resources are going to be limited even further, this will have a dramatic impact on people's lives. Jobs will change, hours of work will change. If the distribution of wealth and power is not changed, less growth will simply mean more unemployment, more poverty, and meaner, tougher lives for hundreds of thousands.

We can't talk about eliminating chemicals in agriculture without talking about what happens to farmers. We can't talk about new transportation policies without talking about what happens to auto workers. We can't talk about waste without talking about the workers who make their living producing too much packaging or producing goods that will simply be thrown away.

Still, we have to get over the conceit that the world is simply there for the use of our generation. The environmental crisis is not just some buzz-word invented by the ad industry. It is real, and demands actions and changes that will affect how we live.

Broader social changes are happening as well. Are Canadians really prepared to work less, and share work differently? Are men prepared to take on family responsibilities that for centuries have been assigned to women? Are we prepared to use less of the world's resources, and share what we have more fairly with the rest of the world? . . . Do we understand what all this means for the competitive white man's world in which we have all grown up?

We must create a society where change does not mean dramatic income loss, loss of self-esteem, the dark hole of poverty and helplessness that social and industrial change has come to mean to millions of workers since the Industrial Revolution.

Unless the "green" revolution is matched by a "democratic" revolution, and a real increase in the power and authority of working people, then we know only too well the consequences: working people alone will bear the burden of change, and alone will be asked to pay the price. It is a recipe for industrial confrontation, bitterness and, ultimately, a world that increasingly belongs to the few able to ride the wave of change successfully.

Yet socialists have to come to terms with some critical realities as well. The command economies of the East have been a disaster. "Planning" on its own does not work: it ignores too many choices, too many unknowns, too many actors in the system. It lacks dynamism, energy, a willingness to change.

The key is to match our commitment to democracy, security and solidarity with what we all must recognize as the positive aspects of markets. In short, we must see socialism as embracing a creative tension between three realities: planning, democracy and markets. If we ignore any of them, we are in trouble.

There will always be those who say that you can't possibly plan an economy or an industrial strategy in a capitalist economy in an open society with the rest of the industrial world. But every company doing business in Canada and Ontario plans for the future and has a corporate strategy. Only governments have this enormous reluctance to get organized about where the economy is going.

One of the critical missions of socialism has been to expose the absurdity of simply seeing the economy as a tight world of private economic relationships, quite separate from the public world of politics and government. Democracy has been interpreted in this way as simply what progressive governments do in their efforts to control the excesses of the capitalist system.

This is far too limiting a concept of democracy. The world of the corporation, the rights of shareholders, takeovers and mergers, plans to invest here and disinvest there, the

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introduction of new technology and new products, the ending of old lines and old products, these are all decisions that deliberately and systematically leave out governments and workers.

There are some sectors, and some situations, where government buyouts make sense. But there are other sectors of the economy where such direct public ownership would be profoundly counterproductive: a huge investment of public dollars for little real return. If our interest in democracy is to increase participation by workers and the public generally in the life of the company and the economy, then making the government the only shareholder isn't really the answer.

The interests of economic democracy would be better served by some immediate, practical changes to our laws on labor relations, company law and employment standards. Do away with this now-widespread notion in our labor law that everything not mentioned in the collective agreement belongs to the company. Give workers direct access to boards of directors, not in a token way, but as a major exercise in democratization. Give the public a direct say on boards as well. Get rid of the huge differences between the way management and workers are treated.

There are other ways in which workers can take more control of their lives. They have savings, in the form of pension funds, which for generations have simply been managed "on their behalf" by corporate interests. When workers become more aware that this is their money, and they should control it, a huge economic power base will shift toward democracy. It will require enormous political will to accomplish, because those who have control of these funds will not give this power up without a struggle, but if Lech

Aren't There Some Things That Money Can't Buy?

There are stronger arguments for social and economic democracy than we realize, and they take root in institutions. Perhaps the clearest example of this in Canada is our system of medical care. We have a different way of caring for each other when we are sick than anything we do at any other time. For example, we volunteer to give blood; we don't demand payment for it.

It is interesting that in matters of life and death we would not dream of leaving the decision to the market place, and that here the greatest efficiency, and greatest quality, is achieved simply by mobilizing people's capacity for altruistic love.

Two years ago my brother David was diagnosed with lymphatic cancer. After initial treatment, we were told that the next step was a bone-marrow transplant. After a battery of blood tests, I was found to be the most compatible donor.

In the United States, this operation would cost more than $250,000. Several states have stopped paying Medicaid for transplants because they're too expensive. One mother in Oregon trooped around the legislature with her dying child trying to guilt them into paying for his treatment: they didn't succumb. The child died—even though transplants are more often than not successful with young children in putting the cancer into remission.

I had the operation, with no thought or question as to cost, and my brother fought on, in and out of hospital, with enormous courage, before he died. The child in Oregon would probably have had a statistically better chance of living longer than my brother, but that choice was not given to him.

I can also remember reading a newspaper article about a family in the States where the brother said there was no way he was going to do a transplant—too painful, too risky, and he hadn't seen his brother in a long time and didn't think he owed him anything anyway.

In fact, there is really nothing risky about the operation for a donor, and the pain is usually short-lived, but that last point really got me: "What do I owe him anyway?"

In the States, families are offering to pay for transplants, pay for donors. But aren't there some things money can't buy? Is it really too abstract, too corny, too difficult, to understand that simply giving the chance at another round of life is value in itself? Wouldn't most people be moved by the most essentially human arguments about what we owe each other?

We owe each other love, and the action that flows from that. We express that love in deeds, in actions, in laws, institutions, entitlements.

—B. R.

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Walesa can do it to the communist bureaucracy, we ought to be able to do it here.

Democracy is also about the other major revolutions in our time: the women's movement and civil rights. Women have entered the work force in the millions this past decade, but are systematically paid less, are forced into part-time jobs, have fewer benefits, less protection, and less security. They are subject to harassment on the job and violence in the home.

If you're blind in Canada, chances are you're unemployed. If you're deaf, or physically or mentally disabled in any way, you're likely to be poor, badly housed, unemployed and on your own. If you're black, or a visible minority, chances are you're in a worse job, with lower pay, less recognition and less opportunity than your white neighbor.

Finally, there is the positive and necessary role that markets can play in a socialist system. Those economies that have ignored or obliterated markets have done so at their peril. Without exception, they are now having to reform and come to terms with the need for realistic pricing, a respect for supply and demand, an understanding of the positive role of competition, the need to serve the consuming public and an appreciation of the advantages of change, dynamism, and yes, entrepreneurship and efficient management.

But we all know that, if market principles are tied to exclusively private, corporate forms of ownership and management in an over-all climate of speculation and greed, the result is not a productive economy but a casino.

Power and wealth are passed from generation to generation. This is combined with the inevitable tendency of competitors to devour their opposition in a frenzy of takeover and monopoly. We know the result: we live with it. It is our world. But its very excesses should not blind us to what makes sense.

Creativity, inventiveness, technical ingenuity and, most important, consumer choice are all positive aspects of markets. And it is important that we come to terms with this as socialists. Our focus on social issues has often made us look at the world of the economy as something dark and unknown, almost unclean. Yet this is how we make our living. We have to understand it better, and at the same time insist that the economy respond to our values and priorities.

The growth of the welfare state, and attacks on some of our achievements from the New Right, have forced us to spend much time simply defending our historic achievements, like medicare. Now we must state again what we are for in the future.

Feminism has made us all realize that where power is biased toward the interests of men and patriarchy, women are demeaned and exploited. The civil-rights movement has forced us to wake up to the scourge of racism.

We must open up government and the ways in which it delivers services. Our health and social services spend billions of dollars, yet in many cases they are neither accountable nor participatory. The flexibility and quality of public service must be improved.

In our economic life we are ruled by an unelected elite whose power and wealth are in good measure inherited. We must insist that what is produced should be shared more equally. People will not be paid exactly the same, and they certainly won't live the same, but there is clearly no excuse for vast disparities between rich and poor.

Capitalism's ability to "deliver the goods" economically has been much exaggerated. As a political system, it fails miserably to address the ordinary needs and demands of its citizens. As a moral system, it utterly fails to enlist people's will to a shared freedom, to justice, to equality, to community, or to love. If the best democratic socialism can offer is "a little more of this and a little more of that," we might as well pack our bags and call it a day. □

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Daniel Bell

BEHIND THE SOVIET ECONOMIC CRISIS

A Background Paper

Can *perestroika*—the reconstruction of the Soviet economy—work? The shape of the world economy, in particular the relations of the advanced industrial societies to the markets of tomorrow, depends upon the answer to that question. I distinguish here between Eastern Europe—Poland, Czechoslovakia, Hungary, and to a lesser extent Romania and Bulgaria—and the Soviet Union. The three larger economies of Eastern Europe are engaged in a drastic turnabout of their societies. All three have abandoned central planning and nationalization and are turning to the market. They eagerly want investment from capitalist societies, and some investment, particularly in Hungary, is already taking place. The Soviet Union is a far different question. And it is not at all clear how far the necessary structural reforms will go.

In terms of its potential and actual performance, the Soviet Union is a mystery. Let me outline some basic data.

- The Soviet Union is the largest country in the world in respect to area size, about 22 million kilometers. (Canada, China, and the United States have 10 about million kilometers each.) About 25 percent of the Soviet land is arable.
- It is the second largest military power in the world.
- It is the third largest economy in the world (in Gross Domestic Product) after the United States and Japan, and about double that of what was West Germany.
- It is the leading nation in having the largest number of scientists and engineers, about 13.5 million persons out of a total of 120 million in the labor force.
- It is the largest producer of oil and natural gas in the world; it accounts for 20 percent of the world's oil output and about 40 percent of its natural gas.
- It is the largest producer of crude steel in the world, almost 50 percent more than Japan and almost double that of the United States.
- It is the second largest wheat producer in the world; China is first and the United States third.

And yet: According to every reputable Soviet economist and, in fact, according to Mikhail Gorbachev, the Soviet economy is in shambles.

Consider the other side of the ledger:

- By every realistic measure of output per capita, the Soviet economy has not grown in the last twenty years—the so-called period of Brezhnev stagnation.
- In standard of living, the Soviet Union ranks 60th of 211 countries in the world. If we exclude the oil-rich Arab shiekdoms and the "hideaway protectorates" such as Monaco, Liechenstein, and the Cayman Islands, the Soviet Union ranks 17th in the developed economies of the world, falling behind Czech-

This essay was written originally in February 1990 for a Japanese audience. Because of its continuing relevance we print it now as background for the piece following it, an essay on the problems of planning and socialism written by the author.—Eds.

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oslovakia and what was East Germany in its standard of living.

- By tangible indicators: there are 515 radios per 1,000 persons (or 50th in the world); 310 television sets per 1,000 persons (or 30th in the world), and 40 private automobiles per 1,000 persons (or 103rd in the world).
- By its own admission, the Soviet Union cannot feed itself and has to import each year several million tons of grain—its second largest import, after machinery.

How does one explain the discrepancies between resources and performance? Will the Soviet Union be able to maintain its position as an economic power, leaving aside for the moment the crucial political questions of the secessions of republics and political stability?

There are five major economic problems that have to be resolved:

1. The Soviet Union has been a dual economy: one sector is devoted overwhelmingly to heavy industrial production, with the major output going to the military; the remainder has been a backward consumer economy, as reflected in the rankings of the standard of living. Under the economic plan adopted at the end of December 1989, the consumer sector is to receive priority in Soviet production.
2. "Planning" is a failure, and the question that faces the Soviet authorities is how to introduce market mechanisms and to end retrograde subsidies, especially for food and housing, which are in short supply.
3. How to rearrange sector divisions so as to move about fifteen million persons out of manufacturing into service sectors.
4. How to make Soviet agriculture more efficient. Today between 20 and 25 percent of the labor force is in agriculture, compared to less than 4 percent in the United States—despite the fact that in wheat growing, the main crop, the regions in the two countries are comparable in their geography.
5. How to manage the huge overhang of rubles held by Soviet citizens that can blow the economy apart in a triple-digit inflation and at the same time to achieve a realistic convertible ruble that will make international trade and foreign investment possible.

Rather than take up each of these issues seriatim, let me combine them into a general discussion of the realistic prospects of *perestroika*.

What Reforms Are Needed?

The basic historical fact is that the Soviet Union has not been a planned economy. It has been a mobilized economy, similar to the war economies of the industrial nations that fought World War II. Certain targets are set, and materials and labor are allocated to factories having a priority, and efficiency is measured by physical units of output rather than profit. (Until recently, even, interest costs on capital were never measured, thus obscuring further capital costs and the choice of inputs.)

In this way, the Soviet Union built a heavy industrial base. It leads in steel, but no one any longer measures the "strength" of a nation by the index of steel, as was true until World War II. What are crucial today are the knowledge-based, high-technology industries of a postindustrial society, and the industrial structure of the Soviet Union is not geared to those kinds of enterprises.

When I was in the Soviet Union in the spring of 1988, giving lectures in Leningrad and Moscow, there was not one computer at the Institute of Mathematics in Leningrad. Some very good analytical mathematics was being done, but none that involved computational problems. (Those computers were reserved for the military.) In the main hotels in Leningrad there were no computer reservation systems, and tickets for the overnight trains to Moscow had to be obtained by courier service.

The paradox is that investment in the Soviet Union is extraordinarily high. In the past three years, the Soviet Union has invested about 150 billion rubles a year, or about 40 percent of national income, the highest in the world. But about three-fourths of that has been in energy, raw materials, and heavy production for the military, and these are relatively unproductive.

Two leading Soviet economists, Nikolai Shmelev and Vladimir Popov, in their book *The Turning Point: Revitalizing the Soviet Economy,* published in November 1989, point out that in sixteen basic categories of goods,

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such as turbines and metal-cutting machines, the actual output was only a half or a third of the planned targets. The reason, they argue, is that *Gosplan,* the central planning agency, is simply incapable of plotting in real time the interdependent relations of materials, energy needs, and labor, so as to direct resources in a proper way. Given the literally millions of interdependent product and wage-price relations of a modern complex economy, it has been estimated that it would take thirty years of computer time to plot such input-output relations. (Enterprises usually seek to make their targets by going outside the plan and exchanging goods by barter, a practice that the Russians call *blat.*)

The only rational solution is to use market mechanisms whereby buyers and sellers can match their needs of supply and demand by the information signals of price. But for bureaucratic and political reasons (that is, the loss of control and the fear of price rises), the Soviet authorities have feared to move to the market. In a "socialist" economy, as the Hungarian economist Janos Kornai pointed out in a penetrating book a number of years ago, the authorities are forced to choose between inflation and shortages; and they have chosen shortages.

At the meeting of the new Soviet parliament, the Congress of People's Deputies, which ended on December 23, 1989, Prime Minister Nikolai Ryzhkov put forth a new five-year plan that delayed price reforms until 1993–95, rejected private property and the market, and proposed the continuation of "planning" mechanisms. Soviet factories were "directed" to turn out three times as many television sets, washing machines, and other scarce consumer goods as before. Given the analysis of Shmelev and Popov, it is doubtful that they will achieve half.

The more immediate and "scary" problem that the Soviet Union faces is the extraordinarily large "overhang" of rubles in private hands. Not having any goods to buy, the Soviet middle class, perforce, has had to "save." The total savings is estimated at about 460 billion rubles, of which 300 billion rubles lie "under the mattress." At the same time, the Soviet Union has a budget deficit of 10 percent of GNP, or more than twice that of any industrial nation. It could reduce that by heavy taxes, but that would wipe out the "savings" of the Soviet citizens and simply mean a wage cut. What the Soviets have been doing is printing money to pay for the deficit, and that action multiplies the money in circulation and increases the "savings."

Gorbachev's advisers, such as Oleg Bogomolev, the head of the economics section of the Academy of Science, have proposed privately that the Soviet Union sell apartments to the individuals living in them and then, quite literally, burn the money to take it out of circulation. But this would create a huge stock of private property, and some individuals would begin to make profits by selling the apartments. That would be the proverbial "camel's nose under the tent," and demands might spread for other forms of private property.

The government proposes to cut the budget deficit in half by issuing bonds at 5 percent interest, but that is unlikely to make any real dent in the mountain because, increasingly, the Russians are turning to black markets to get rid of their rubles. (An outright currency reform, such as took place in Japan and Germany after World War II, is politically impossible because that would only ignite the anger of the population in their feeling of being cheated.)

The monetary problem is multiplied by the artificial value of the ruble vis-à-vis other currencies, and in the black market the ruble is being discounted by as much as 80 percent. The Soviet Union knows it has to move to a convertible ruble if it wishes to expand its foreign trade and encourage investment. But this would mean a two-tiered monetary system that would be difficult to manage.

The Soviets have taken the first step in Comecon, the enclosed trading bloc with the East European nations, by switching to world prices for their commodities, denominated in hard currencies. In the short run, this provides an advantage to the Soviet Union, since its main exports are oil and natural gas, while it

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buys cheap manufactured products from the East European countries. But as major reforms take hold in these East European countries, it also becomes an incentive to break away from the Soviet Union and seek to join EFTA (the European Free Trade Area) or even apply at some later time to the Common Market.

Need for Stability

The discussion so far has been on the crucial structural reforms that are necessary in the Soviet economy. But there is one overriding condition that is necessary for any change: political stability. The obvious fact about Japan and Germany, for example, is that they have had forty-five years of peace—longer than any previous period in modern history—to carry out reconstruction. The Soviet Union has gone through three succession crises that created political upheavals. Now the Soviet empire is on the verge of breaking up. The Soviet Union has lost control over all the East European nations. The territories that were acquired after World War II are restive, and there is little now that Gorbachev can do to halt the secession of Lithuania, Latvia, and Estonia, the most productive areas of the Soviet Union. Ethnic conflicts are on the rise. And equally ominous is the willingness of strategic working-class groups such as the miners to go out on strike. Gorbachev here is in the classic double bind: there is a falling supply of consumer goods available for the public and rising demands for higher wages to buy scarce goods. He can "shock" the economy by releasing prices (as the Poles are now doing) or resort to more subsidies and direct allocation of scarce goods to key sectors.

Either way, Gorbachev may yet realize the truth of an old remark of the English political philosopher Thomas Hobbes, who said that "Hell is truth seen too late." □

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Daniel Bell

SOCIALISM AND PLANNING

Beyond the Soviet Economic Crisis

Was the Soviet Union's a planned economy? The simple answer is no. Is a planned economy possible? That is a more difficult question to answer. Marx never had a theory of a planned economy, for he thought—from *The Communist Manifesto* to the penultimate chapter of Volume One of *Capital*—that capitalism would solve the problem of "production," that is, overcome scarcity through the "forces of production," restrained only by the private property "social relations of production," and that socialism was essentially a distributive problem to be solved cooperatively by the new, socialized owners of the means of production.

We now know that the issue of "production" may never be solved. There will probably always be more demand—new needs, new wants—for a limited amount of goods. Even if one distinguishes, as the late Fred Hirsch did, between "distributional" goods (those that can be multiplied easily) and "positional" goods (those that are intrinsically scarce, such as the number of houses on the top of a mountain), the allocative problem remains. And if scarce resources among competing individuals remain the issue, the question is whether a market system or a command system is to be preferred.

Historically, most goods were allocated by command, the distributions made by a Lord or the benefices (food and lodging) received by the monks. Money and the market (as Georg Simmel pointed out long ago) were the means of freedom because, with money, one could choose where to live and buy what one preferred. But if there is to be a market economy, then social justice requires a fair, not unequally skewed distribution of *income,* so that individuals can bid evenly against one another for the goods they desire. Within a highly skewed income distribution, the market allocates goods on the "weighted average" of money, which may be unjust, especially if the money is not earned. So if we are to have a market economy, we also need a definition of citizenship (what I have called "the public household") that permits individuals to participate fully, in the market as well as the polity, as members of a civil society. A market economy without a civil society is an individualistic monstrosity.

To return to the question, at least in principle, of a planned economy. If one accepts the fact that the problems of production and allocation remain, then it is also clear that such an economy can only be coordinated through a price system that accurately reflects the costs of resources both with respect to a "production function" (that is, the relative mix of capital and labor) and the supply and demand of consumer items at relative prices.

In the "pure" market system, these decisions are guided by consumers with respect to their preferences and by producers who provide supply in response to such demand. But what if these *markets* are skewed or rigid? Socialists put forth the proposal for planning from two theorems, one of which was patently wrong. The first was the idea of the "anarchy of the market." In his little book *The Living Thoughts of Marx*, Trotsky, in one of his characteristic aphorisms, advanced the argument that under capitalism each man thinks for himself, and no one thinks for all. But who is the "one" who

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could think for all? (We have here a curious economistic version of Rousseau's "general will.") No one.

But the second, more compelling argument was that under capitalism major industries tended toward monopoly or oligopoly and distorted prices or restricted production through administered controls, or that capitalist firms sought to exempt themselves from the hazards of the market through cartels or price-fixing rings. The curious fact is that before World War II few capitalists used the phrase "free enterprise." Most capitalists wanted planning of a corporatist kind. As Werner Sombart wrote of the period of "late capitalism" (in 1930!):

> The entrepreneurial group has been consciously striving for stability as in the cartels and trade associations. Public authorities have intervened to offset business fluctuations by withholding orders in periods of prosperity and granting them more generously in periods of depression; this policy will play an increasingly important role. "Stabilization of business" seems to be both the slogan and the accomplishment of this period.[1]

In the United States, during the depression in 1931, the head of General Electric, Gerard Swope, proposed "The Swope Plan," a corporatist model of the economy to provide a price floor for industry and to allocate market shares of production. This was taken over almost completely in the first days of the Roosevelt administration through the National Recovery Act (NRA), which set up industry codes and price fixing to provide stability for the system. The NRA was not opposed by the large capitalist firms; it was declared unconstitutional by the Supreme Court. Yet in particular industries this "cartelization" continued, such as with the famous "Pittsburgh Plus" system in the steel industry. Under this arrangement, a nationwide uniform price system was maintained throughout the country, so that even if a firm in Chicago ordered steel from a nearby mill, the price was based not on local costs but as from Pittsburgh plus transportation. So there was no economic advantage in ordering locally, and the large oligopolistic firms, such as U.S. Steel and Bethlehem, could dominate the industry. Again, it was the Supreme Court that declared the practice illegal. There are still today price floors for farmers in milk and agricultural products maintained by huge government subsidies. And while Jesse Helms may not like rent control, he does want price supports for tobacco.

The point of all this history is that socialists, such as Oskar Lange and A. P. Lerner, argued that distortions of production were inevitable under capitalism and that only under socialism could one have free markets and "consumer sovereignty"! But how is "economic calculation" possible in a socialist economy, as Ludwig von Mises set the challenge? Lange's answer, briefly put, is that "socialist administrators" would have the same information as "capitalist managers" and could "solve" the price equations on the basis of market-clearing trial-and-error adjustments. The implicit premise was that one set of coordinators was replacing another, but the socialist managers would be more "socially minded" than the capitalist ones and thus be more responsive to the commonweal. The technical economic issues apart, what Lange and other socialist economists ignored is what Max Weber stated in 1920: that a socialist society would be more bureaucratized than a capitalist one; and, as socialist "practice" showed, government bureaucrats and socialist factory managers were more mindful of their own interests—the pollution of the environment is the gravest illustration of all—than of the commonweal.[2]

To return to the Soviet economy. As I have indicated, the Soviet economy was never a planned economy but a mobilized economy with two fundamental deficiencies. It targeted physical outputs (for example, tonnage of steel) and used a system of material balances to measure the success of achievement with no measure of actual costs. And the lack of an interest-rate mechanism (because of dogma, derived from Marx, that interest was usurous and exploitative) meant that it could not measure the true costs of capital and make allocations efficiently.[3]

In principle, the mobilized economy was little different from the wartime economy of the War Production Board in the United States and the Ministry of Supply in the United Kingdom. What one also had was planning by physical

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targets—the number of planes, ships, tanks required—and the control and allocation of key materials (such as steel, copper, tin) to designated factories along with the control of wages and prices. In wartime there is a recognition of the role of the government as the major "consumer" shaping production for some specified needs. But there is also the recognition that such a centralized system would be impossible in a diverse and free economy that would be responsive to individual "consumer sovereignty."

In Soviet history there are some important lessons, as much for the idea of planning as for the necessity of markets. They are the lessons of complexity and growth.

In retrospect, it is extraordinary how simple-minded were the notions of planning that first guided the Soviet economy. In December 1920, "Goelro," the State Commission for the Electrification of Russia ("Communism," said Lenin in a famous phrase, "is the Soviet power plus the electrification of the whole country"), set forth the first, single economic plan for the country. It is "a genuinely scientific plan," wrote Lenin.

> We have the precise calculation of the experts . . . for every branch of industry. We have—one small example--a calculation of the production of footwear at the rate of two pairs per person (300,000,000 pairs). . . . We have a material and financial (in gold rubles) balance sheet of electrification (about 370,000,000 working days, so many barrels of cement, so many bricks, so many poods of iron, copper, etc., the power of the turbogenerators, etc.).

The "precise calculations" were, of course, wild guesses based on a primitive kind of economic arithmetic, a point of view as "sophisticated" as the statement of Lenin earlier in *State and Revolution* that running the administration of the state was as complex as running the post office!

By 192[illegible] the Soviet economy was in chaos and on the brink of disintegration, and Lenin realistically retreated to the New Economic Policy (NEP). The indiscriminate requisitioning of peasant produce was abolished, and peasants were allowed to sell freely part of their surplus; small-scale and medium-scale industry and trade were denationalized, and the bulk of the nationalized large-scale enterprises was put on the basis of "cost accounting." The measures worked. The marketable output of agriculture rose 65 percent from 1922 to 1925. The output of large-scale industry, which had fallen to 14 percent of its prewar level by 1920, rose to 75 percent by 1925, and so on. Yet there were problems as well, notably a "repressed inflation" by 1925 that was threatening to tear the economy apart. And the slackening of industrial output was leading to the argument that new measures for industrialization were necessary. In Soviet parlance there was the need for transition from "restoration" (which was NEP) to "reconstruction"—*perestroika;* the word was used at the time.

From 1925 to 1928 the great Soviet industrialization debate took place in the Soviet Union. What is remarkable is how clearly each side understood the consequences of its positions. One argument, advanced by Bukharin (designated as "the right"), was to mollify the peasants ("Enrichissez-vous," he said, consciously echoing Guizot's famous remark—revolutionists always used metaphors from the past), who would be encouraged by economic incentives to "grow into socialism." Capital investment in industry had to be limited to what the peasantry would tolerate, if Soviet power was to be consolidated. The "left" point of view, advanced by Preobrazhensky (supported covertly by Trotsky), self-consciously advanced the formula of "primitive socialist accumulation," on the model of Marx's "primitive capitalist accumulation," as described in Part VIII of Volume One of *Capital:* breaking peasant "autarky," squeezing out the small traders, raising capital by state manipulation of prices, and funneling all investment into heavy industry and electrical energy.*[4]

* As Preobrazhensky admitted, the "law of value," which governs the operation of the competitive market and makes the exchange ratio between goods depend upon the relative amounts of "socially necessary labor" contained in them, had to be suppressed as far as possible. What it meant was a shift of resources to the state sector, by manipulation and compulsion, over and above what the latter could obtain as a result of the operation of the law of value in a competitive market. This, as Alexander Erlich points out, "was what

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Stalin, at first, for political reasons, sided with Bukharin against Trotsky and, following that victory, turned against Bukharin. The crux of the turn, for Stalin knew how recalcitrant the wily peasant could be, was the forced collectivization of agriculture, the famine in the Ukraine, and the deportation and murder of tens of thousands of "kulaks." The forced industrialization had begun its long march. But industrialization, driven from a center, has its limits, and by the 1960s the Soviet economy had begun its long period of deceleration and stagnation.

Curiously, in the United States, twenty-five years before, there had been a theory of maturity and stagnation. These were the pronouncements of Alvin Hansen of Harvard, building on the TNEC monographs of the late 1930s (mostly written by left-wing economists led by Paul Sweezy) and the theory of oversavings of Keynes. In his 1941 work, *Fiscal Policies and Business Cycles,* Hansen argued that we were beached at the end of a series of long waves, as well as a decline in population growth, the disappearance of new territory for expansion, and the growth of monopoly, which inhibited the introduction of new machinery and investment.

The man who broke the back of that argument was Joseph Schumpeter, also at Harvard. For Schumpeter, economic growth was a function of two forces, neither of which was integral to neoclassic economic theory: technology and the role of the entrepreneur. In *Capitalism, Socialism and Democracy,* written in 1942 but receiving critical attention only four years later with a new edition, Schumpeter wrote that "technological possibilities are an uncharted sea," and it is technology, as utilized by the entrepreneur, that prompts economic growth. Keynes, said Schumpeter, dealt with "phenomena whose range was limited by his assumption that techniques of production remain unchanged." But it was just the fact that techniques of production do change rapidly under capitalism that was decisive for Schumpeter.**[5]

If anyone had located the "secret" of growth, it was Schumpeter in his emphasis on the need of an economic system flexibly combining technological and market forces to shift capital and resources into the more productive sectors generated by the new technologies—as amply demonstrated by Japan in the past thirty years in moving successively from light industry (textiles and apparel) to heavy industry (steel, auto, shipbuilding) to instruments (optical goods) and, in the last decade and a half, into knowledge-intensive electronics, computer, and telecommunications sectors.

What, then, if any, is the role of planning? The price system is a mechanism for the relative allocation of goods and services within the framework of the existing distribution of income and the cultural patterns of socially shaped monetary demands. What ultimately provides the direction for the economy, as Veblen pointed out long ago, is not the price system but the value system in which the economy is embedded.

How can one establish the parameters of an economy if one wishes to see what *other* patterns may prevail with *other* values? In 1959, the Russian mathematical economist Leonid Kantorovich (who in the 1940s worked out a technique of linear programming that, independently, was also worked out by George Dantzig at the Rand Corporation) wrote a volume, *The Best Use of Economic Resources* (published in English in 1964 by Harvard University Press), in which he sought to show that with mathematical models and high-speed computers, one could write a single economic plan for the country that would, through Leontieff input-output matrices, provide the optimal distribution of economic resources with valuations of production corresponding to full economic costs. But as we now know, given the nature of bureaucracies, the administrative difficulties in implementing it would probably

the famous 'law of primitive socialist accumulation' actually amounted to."

** Yet Schumpeter, with typical Central European *weltschmerz,* felt that capitalism was doomed—doomed by the hostility of the intellectuals, "the new class," and by the bureaucratization of business, what J. K. Galbraith later called the "techno-structure" that would atrophy the entrepreneurial function.

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be insuperable, and in practice the market would have to be the mechanism whereby the economy would run.

Yet "planning" could remain as a *normative economic tool,* a shadow "*tableau economique*" to model different paths of growth and different assumptions of optimality and cost, against which the actual economy could be judged. One could play, in the planning models, different kinds of non–zero-sum games to see the different outcomes in the distribution of goods and services and different growth paths in the economy.[6]

Planning thus becomes a series of *as ifs,* a set of different "games" to judge and debate different policy actions and their consequences. Much as "perfect competition" and "general equilibrium" become heuristic tools to measure the adequacy of economic efficiency as means, so planning models become a tool of "utopia," a way of setting forth different assumptions of distributive justice—from Rawlsian maximin to Pareto-optimalities—and seeing how far the existing economies, based on the power and income relations that exist, depart from those assumptions.

A modest role, perhaps. But we need to live in modest times.[7] □

Notes

[1] Werner Sombart, "Capitalism," in the *Encyclopedia of the Social Sciences* (New York: The Macmillan Company, 1930), p. 203. A more telling indictment of capitalism, now familiar today under the rubric of market imperfections, was the argument put forth by Oskar Lange (building on the work of A. C. Pigou) that private enterprise does not pay the social costs generated by its activities. As Lange wrote:

> An economic system based on private enterprise can take but very imperfect account of the alternatives sacrificed and realized in production. . . . A socialist economy would be able to put *all* the alternatives into its economic accounting . . . it would be able to convert its social overhead costs into prime costs. By doing so it would avoid much of the social waste connected with private enterprise. (*On the Economic Theory of Socialism*, University of Minnesota Press, 1938, p. 104.)

Lange is right, but what we have learned, as in the costs of the environment and pollution, is that corrections can be undertaken in a *democratic* society through legislative intervention.

[2] For a recent reprise of the Lange–von Mises debate, see Robert Heilbroner, "Analysis and Vision in the History of Modern Economic Thought," *Journal of Economic Literature,* 28, no. 3 (September 1990).

[3] Marx was aware of the problems of allocation of resources in a socialist economy (as is evident in a letter to Kugelmann in 1868). But he thought of *labor* as the only kind of scarce resource to be distributed between different uses and wanted to solve the problem by the labor theory of value. Clearly, this is wrong. And in Soviet planning, as I have indicated in the footnote reference to Preobrazhensky, even the "law of value" was "suspended" in order to exploit labor for the purposes of "primitive accumulation."

[4] For a comprehensive review of this crucial controversy, see Alexander Erlich, *The Soviet Industrialization Debate, 1924–1928* (Cambridge: Harvard University Press, 1960).

[5] For an early discussion of Schumpeter's themes, see my essay "The Prospects of American Capitalism," in *The End of Ideology* (The Free Press, 1960; reprinted with an Afterword, Harvard University Press, 1988), especially pp. 80–85. See, too, the appreciation by Robert Heilbroner. op. cit.

[6] In a recent, unpublished paper on "Growth Theory," Robert M. Solow recalls the idea of planning as a normative idea. He writes:

> There was an alternative, frankly normative tradition, dating back to Frank Ramsey [the famous Cambridge University logician and mathematician, 1903–30]. Instead of asking how such and such an economy *would* behave, one asked how it *should* behave if its goal were to maximize a time-additive utility functional dependence only on the time-path of consumption per person. This "optimal growth" problem was generally treated as a planning exercise. The possibility of decentralizing it through the operation of intertemporal prices occurred naturally to modern economists, though it had not been part of Ramsey's mental furniture. Even with this refinement, it remained a planning exercise.

I am grateful to Mr. Solow for permission to quote this pregnant paragraph.

[7] For a discussion of economic theory as a normative device, see my essay "Models and Reality in Economic Discourse," in Daniel Bell and Irving Kristol, eds., *The Crisis in Economic Theory* (New York: Basic Books, 1981), pp. 46–80.

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Fred Block

SOME CONTRADICTIONS OF CAPITALIST SUCCESS

In the general euphoria about the collapse of communist regimes in Eastern Europe, it is often assumed that capitalism has been vindicated. To be sure, the failure of the Soviet model has shown the futility of attempting to organize an economy that minimizes the role of markets and the scope of the individual's choice. However, the case for free-market capitalism espoused by Margaret Thatcher and Ronald Reagan is shakier than ever.

For one thing, the last ten years have taught us that although markets are important for economic efficiency, so, too, are limitations on markets and on individual efforts to maximize wealth. When banks are "deregulated" so that bankers abandon prudence in favor of making the largest profit, the result is the collapse of the savings and loan industry. Similarly, when corporate raiders can make more money by dismantling firms than by expanding output, the results are hardly efficient. Scholars as diverse as Karl Polanyi and Kenneth Arrow have taught us that the unfettered free market of economic theory results in disaster because of these irrationalities. Economic efficiency requires markets, but it also requires that those markets be constrained and regulated.

For another, developed capitalism in the United States, Japan, and the richer countries of Western Europe faces new and profound difficulties, largely as a consequence of its success in expanding wealth. Capitalism is premised on the scarcity of money capital, but dynamic growth has succeeded in dramatically reducing that scarcity. Thus far, this problem has been hidden from view—particularly in the United States—by the dominant economic discourse, but the effects are already visible around us.

In the *General Theory* Keynes anticipated a point in the future when money capital would become progressively less scarce, driving down the prevailing interest rate and eliminating any productive role for those who simply lend out money. This is what he meant by the "euthanasia of the rentier." At one level, Keynes was clearly wrong—the rentier has not disappeared but has become a larger-than-life figure dictating the fate of millions. In the persons of Donald Trump and Michael Milken, the rentier was the cultural hero of the 1980s. But Keynes's anticipation of the declining scarcity of money capital was accurate. This declining scarcity has been accelerated in the United States by three factors: the expansion of pension funds, the introduction of capital-saving technologies, and the rising role of depreciation as a component of investment.

Pension Funds

The conventional wisdom is that citizens of the United States are profligate and rates of personal savings are at historic lows. This perception is supported by widely reported data on personal savings from the Commerce Department's national Income and Product Accounts (NIPA). However, the NIPA calculates personal savings for the whole economy by subtracting one estimated figure from another—personal consumption expenditures are subtracted from after-tax personal income. The problem is that both of these estimates are subject to a variety of errors, and even small

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changes in the large numbers have a significant impact on the savings figure. Moreover, the NIPA savings figure is biased downward by the accounting techniques used to assess pension fund contributions, depreciation, and the amount of income not reported to the IRS.

There is, however, an alternative estimate of personal savings developed by the Federal Reserve Board. This figure is based on actual flows of money into a variety of financial instruments—bank accounts, stocks, bonds, and pension funds. These data show that personal savings in the United States were at historically high levels in the 1980s—double the rate indicated by the NIPA data.[1] Moreover, when differences in national accounting techniques are considered, the gap between United States and Japanese savings rates is minimal.[2] The Fed also develops annual estimates of the total net worth (assets minus liabilities) of households, and the annual change in household net worth was more than a trillion dollars in several recent years. Moreover, these Fed estimates have been validated by periodic surveys of consumer wealth.

One of the most important components of the Fed's savings data is the total annual increase in the assets of pension funds and life insurance reserves, exclusive of capital gains on their holdings. In 1988, this figure was $224.4 billion—enough to finance 94.8 percent of all net private domestic investment in the United States. Although there continue to be serious problems in assuring that those who have contributed to pension funds receive the benefits they deserve, the amount of money that is put away each year in these pension funds and insurance reserves is almost enough to finance all net investment in plant, equipment, and residential housing in the U.S. economy. This means that the U.S. economy has become almost self-financing; the pension-fund savings of the many can now perform the task historically filled by the wealth of the few.

Capital Saving

This change has been facilitated by the widespread introduction of capital-saving technologies—innovations that reduce the real cost of productive investments. The classic instance of capital savings has been the computer; by now, everybody is aware that this year's model has many times the power of a five-year-old model at a fraction of the cost. Estimates are that computing power has been declining in price by 20 percent a year. It is less widely recognized that the same innovations in microchip technology that have reduced the cost of computers have an impact on a wide variety of other capital goods as well. By 1988, information-processing equipment—a category that includes computers, office machines, communication equipment, instruments, and photocopying machines—constituted almost a third of all private purchases of capital equipment, but computers and office machines represented only 38.2 percent of this total category. Yet virtually all of the items in this category incorporate microchip technologies that have facilitated product improvements with little cost increase. Moreover, new generations of computer-controlled machine tools are often three or four times more powerful than their predecessors but only slightly higher in price.

At the cutting edge of manufacturing technology, flexible manufacturing systems use robotics to group together a series of computer-controlled machine tools. The increased efficiency of these new systems can significantly reduce the total number of machine tools that a firm needs. Moreover, when combined with just-in-time systems of inventory control, these new manufacturing technologies dramatically reduce the floor space needed for manufacturing. An IBM facility in Raleigh, North Carolina, reduced the space needed for production from 51,000 to 9,000 square feet, and a Westinghouse facility in West Mifflin, Pennsylvania, cut its floor space from 125,000 to 52,000 square feet. The consequence is that outlays for industrial buildings can be significantly reduced at the same time that production becomes more efficient.[3]

Together, these changes mean that this year's million dollars in capital investment buys equipment that is substantially more effective than the same amount of money purchased five years ago. Yet this change is only vaguely reflected in the official data

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because of the inadequacy of the price indexes for plant and equipment. If, for example, a new model of machine tool is twice as expensive as the old one but four times more effective, the government data will treat the price increase as resulting entirely from inflation. The systematic qualitative changes in capital goods that result from continuous advances in microchip technology present economists with extremely serious methodological problems in generating consistent data, and they have not yet met this challenge.

Depreciation

Parallel methodological problems characterize the longstanding problem of measuring depreciation. The idea of depreciation is deceptively simple—in the process of production, some fraction of capital plant and equipment is used up. Hence, some portion of total new investment in the economy should be seen as simply replacing that portion of the capital stock that was used up in production. In each year, gross investment consists of depreciation (investment compensating for used-up capital) and net investment (that which is genuinely new).

In the past twenty years in the United States, economic data show a rapid increase in depreciation as a share of gross investment. In other words, net investment has been falling as a share of total investment. Economists have had some difficulty making sense of this trend, but the conventional wisdom is that firms have shifted their investments away from structures toward equipment that is used up more quickly.

The reality, however, is that the increase in depreciation is the result of a series of changes in the tax law. Congress has repeatedly liberalized depreciation provisions as a backdoor means to cut the corporate income tax. The service lives of capital assets—the period that a structure or piece of equipment is presumed to last—have been dramatically shortened. Between 1962 and 1989, the service life of commercial warehouses was shortened from 60 years to 31.5, while service lives of equipment used in the chemical industry declined from 11 to 5 years.

The liberalization of depreciation has been intended as a means to stimulate investment. The more generous the depreciation provisions, the larger share of its capital investments a firm can write off as an expense of doing business. Writing off capital expenses in this way artificially reduces the firm's profits and its resulting tax liability. (Imagine, for example, how an individual's income tax bill would be reduced if the entire purchase price of a new car could be deducted from gross income!)

The IRS reported that between 1968 and 1988 depreciation as a percentage of all capital expenditures by nonfinancial corporations rose from 53.8 percent to 77.7 percent. That is, firms were able to write off more than three-fourths of their total capital expenditures as a cost of doing business. The result has been lower reported corporate profits and a sharp drop in the yield from the corporate income tax.

The Commerce Department's national income data are supposed to adjust for these changes in the tax law by using consistent measures of depreciation that are not sensitive to the vagaries of tax law and corporate accounting. The problem is that the Commerce Department's depreciation adjustments also include a calculation of the replacement cost of capital assets.[4] Older assets are revalued in terms of what they would cost today; for example, a thirty-year old commercial building that might have cost $1 million is valued at the $10 million it might cost today before its value is divided by its service life to determine this year's depreciation. This would be a problematic exercise in any event because of the difficulty of comparing the value of different assets over long periods of time. However, it becomes even trickier because of the poor quality of the price indexes that are used to calculate the replacement cost of older structures and equipment. (The price index used for nonresidential construction is particularly inadequate.) The consequence of this procedure is that government statisticians exaggerate the value of the total capital stock and therefore overstate the amount of depreciation in any given year. In 1987, this replacement-cost adjustment increased NIPA depreciation by $144.6 billion, bringing it closer to the exaggerated depreciation figures reported to the IRS.

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These increases in reported depreciation mean that firms have become even more self-financing. Instead of borrowing to finance new investments, firms have gained increased freedom to finance new investment out of revenues. In fact, between 1985 and 1987, internally generated funds—undistributed profits, depreciation, and foreign earnings—actually exceeded total capital expenditures by nonfinancial corporate businesses. In the aggregate, the firms had so much cash to spare that they increased their ownership of financial assets by an average $100 billion a year during that period.

The problematic nature of the reported depreciation figures means that corporate profits in recent years have been substantially understated. (In 1987, corporate profits would have been 22.7 percent higher if the replacement cost depreciation adjustment had been dropped.) Moreover, the exaggeration of depreciation also means that the net savings rate in the economy has been substantially underestimated. (In national income accounting, net investment is assumed to equal net savings, so any increase in net investment will lead to a corresponding increase in net savings.) This is one of those classic situations in which corporations win both coming and going. First, the liberalization of depreciation provisions allows them to reduce their tax burden. Second, the data that result from faster depreciation make it look as though corporate profits, net savings, and net investment are anemic, so there is always justification for another round of liberalization to stimulate investment and bolster corporate profits.

Declining Capital Scarcity

When these three trends are taken together, they force a revision of conventional thinking about the economy. First, the acceleration of depreciation means that firms are able to finance a very high percentage of investment out of their revenues. Second, the huge annual flow of money into pension funds and life insurance reserves is almost sufficient to cover the balance of investments that remain. Third, the dynamic of capital saving is continually reducing the amount of new investment that is necessary to expand the economy's production of goods and services.

In fact, it is generally recognized that gross private investment in the U.S. economy—as a percentage of GNP—was relatively high during the 1980s. Hence, the quantity of private savings was more than enough to finance historically strong levels of real investment. To be sure, questions can be raised about the composition of that investment—whether too much money went for stretch limos and vacation condominiums and not enough for new machine tools and improved production technologies. But the misallocation of available resources is a very different problem than claims about inadequate rates of savings.

These shifts in the use of savings are reflected in the changing role of the stock market in the economy. Equity markets have probably never played as central a role in financing U.S. business as their publicists have claimed, but as recently as 1971–75, new stock issues provided more than 10 percent of the external funds raised by nonfinancial corporations. But in the 1980s, nonfinancial corporations were net purchasers of corporate equities; they put money into the stock market instead of taking it out. This remarkable reversal occurred through leveraged buyouts, corporate takeovers, repurchases of shares, and straight investments. But however it happened, it is an important indicator of the changing relationship between money capital and investment. To be sure, during the 1980s firms did increase their borrowing through bonds and bank loans, but these did not play a major role in financing real investment.

This change in the stock market's role is an indicator of an economy in which the availability of funds exceeds the productive private investment opportunities that promise a reasonable return. While people's needs for goods and services are almost unlimited, only some of those needs can be filled by private investments that promise returns higher than the interest on government bonds. When the pool of available savings is large relative to these investment projects, the result is a desperate search for speculative investment opportunities that promise high returns for idle capital.

Over the last twenty years, the economic

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news has been dominated by these speculative dynamics. In the 1970s banks rushed to lend money to the Third World and Eastern Europe at high interest rates, almost entirely oblivious of the wasteful and irrational ways in which the funds were often used. In the 1980s savings and loans lent billions to questionable real estate projects that remained unoccupied. In the same period, Michael Milken perfected the junk-bond market in which he offered high interest rates as an enticement to soak up excess capital from insurance companies, savings and loans, and money-market funds. He then recycled the funds to corporate takeover artists who would often enrich themselves by dismantling viable firms. To be sure, there were some cases where the money that Milken raised was used to expand productive investments, but those were few.

In Japan, the same search by idle capital for speculative profit pushed stock and land prices to extremely high levels before recent selloffs. So long as the economy continually produces new pools of wealth that need to be invested, it is a safe bet that the prices of assets such as real estate and stocks will continually be bid upward. As long as this process continues, large profits can be made from speculation. It is this same psychology that lies behind the rapid rise in prices for such collectibles as paintings by Old Masters. While it might seem wildly irrational to spend $40 million for a Van Gogh painting, it could well be that the same painting will be resold in ten years for $120 million, producing a higher profit than any alternative investment.

The obvious question is, why aren't these supplies of surplus capital channeled to those parts of the Third World that desperately need capital for development? The problem quite simply is that these economies, even with ample supplies of cheap labor, cannot guarantee the rates of return that investors expect. When banks made huge loans to Third World countries in the 1970s, most of the loans were channeled through governments on the theory that governments were far less likely than private entities to default. While the lenders have generally been successful in avoiding default, very few of those loans proved to be self-liquidating; they did not result in investments that produced a continuing flow of revenues that could be used to pay off the interest and principle of the loan. Instead, the need for stagnating economies to make massive interest payments has steadily reduced living standards in much of the Third World.

Private productive investments in the Third World can absorb only a tiny share of the surplus capital in the developed nations. But the intensified search for speculative investments by holders of money capital in the developed countries has a number of obvious dangers. The first is the increased vulnerability of entire economies to financially generated panics or crises. The 1987 stock market crash provided ample warning of the fragility of a financial system where stock prices are far more dependent on investor psychology than on actual returns. And the huge cost to the federal government of the savings and loan bailout is reminder enough of what can go wrong in speculative markets. Moreover, the business cycle has not yet been repealed, and the fragility of the financial system could push the economy into a severe recession.

Second, even in "good times," the increased orientation to speculation undermines the economy's capacity to produce. The purest examples are Japan and Taiwan, where the bidding up of land prices is so extreme that in certain areas it has become impossible to contemplate building a new factory; the factory could not possibly earn enough to justify the initial price of the land. But other examples can be found much closer to home: the brilliant young people drawn to megabuck salaries on Wall Street instead of productive careers, the firms that are run into the ground through elaborate financial deals, and all of the productive investments that are forgone because they won't produce as high a rate of return as speculative investments.

Interest Rates and U.S. Foreign Borrowing

It would seem logical that if supplies of capital are so ample in countries such as Japan and the United States, there would be a sharp downward slide in global interest rates. Interest rates

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have fallen significantly since the early 1980s, but interest-rate determination is a far more complex business than textbook models of supply and demand might suggest. One important factor is borrowing for speculative purposes. When ample supplies of savings lead to bidding up the price of real assets such as stocks, real estate, and works of art, then fortunes can be made by buying such assets on margin, and these margin purchases push up the demand for credit. It is entirely possible that this demand for credit can rise even more rapidly than the total supply of money capital.

Equally important, flows of credit are mediated through complex institutional arrangements and are also shaped by expectations about future rates of inflation. Many economists have come to recognize that the actual wage that most employees receive differs from the market wage predicted by the law of supply and demand. In the same way, the price of money—the interest rate—departs from the perfect auctions of economic theory.

It is also frequently argued that the U.S. import of capital in the form of foreign purchases of U.S. stocks and bonds is itself proof that U.S. domestic savings are inadequate. But such an argument confuses accounting conventions with actual economic processes. The fact that large government budget deficits exist along with large imports of capital does not prove that the first causes the second. An alternative possibility is that government deficits and Federal Reserve policy pushed up U.S. interest rates, thus attracting foreign capital. This dynamic, along with speculative purchases of stocks and real estate by foreign investors, could explain the coexistence of ample domestic savings and the import of capital from abroad.

The Role of Government

In light of ample supplies of domestic savings, the huge federal budget deficits of the 1980s seem basically benign. With all of the idle capital sloshing around the world economy, the sale of $100 billion or more a year of U.S. government bonds soaked up large amounts of money that otherwise could have done even more speculative damage. In fact, the now despised Keynesian argument that huge budget deficits saved the U.S. economy from a continuation of the 1981–82 recession is persuasive.

Yet federal spending was not used to finance the kinds of productive investment that the private economy consistently fails to fund. Most glaringly, the Reagan administration slashed public-housing spending. In a context where the private sector is unable and unwilling to invest in low- and moderate-income housing, the result has been a dramatic shortfall in the production of housing and the rapid increase in homelessness. Similarly, the Reagan administration cut spending for education and training—another area where the private market systematically fails. The consequence was a further deterioration of schools and an expansion of the proportion of the labor force with inadequate skills.

These examples begin to suggest the outlines of what an enlightened government policy would be in an economy with ample savings. Because the private economy is unable to find enough productive ways to use capital, the government is obligated to reduce speculative activity by absorbing a larger share of idle capital. This can be done through increased income taxes on high-income families—a measure that could easily be coupled with tax relief for low- and moderate-income families. Moreover, taxes on capital gains should actually be higher in order to discourage purely speculative investments. The point, however, is not to finance government spending entirely out of taxes because there is also a need for consistent government borrowing on the capital markets. A balanced budget is to be avoided because that is an indication that the government is failing to draw down the pool of capital available for speculation.

Yet an enlightened government is also obligated to invest the money it raises in ways that improve economic well-being. This means, first of all, producing those public goods that the "free market" cannot provide. These include a safe and clean environment, social and economic infrastructure such as transportation systems, and basic and applied scientific research. Above all, the most impor-

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tant public investment is for the creation of an educated and enlightened citizenry.

Government must also find ways to funnel money to productive activities that the private market is not willing to fund. It must be remembered that the private market was not willing to provide middle-income people with mortgage loans until the federal government stepped in to create Veterans Administration and Federal Housing Administration loans. In a parallel way, the government must create a financing mechanism that will make possible a dramatic increase in low- and middle-income housing. Similarly, the government must create a mechanism to make capital available to nonprofit groups, employee cooperatives, and a range of other nontraditional firms that have great difficulty raising money on the private market. Such a mechanism need not degenerate into political favoritism or a huge waste of money; it is not difficult to imagine its working more efficiently than the junk-bond market.

The resulting expansion in governmental responsibilities need not contribute to bureaucratic unresponsiveness or to big, environmentally insensitive government. Decision-making authority on infrastructure projects could remain at the state or local level even when extensive federal financing is provided. Increased spending on research can be organized through a decentralized granting procedure. Moreover, market-type mechanisms could be used in a variety of instances, such as financing for housing and nontraditional firms.

Democratize the Corporations

However, the increased role of the government is only one of the reforms needed to make a savings-abundant economy work effectively. (Another would be a major effort to transfer real resources to the Third World to facilitate global development.) Domestic economic arrangements are based on two highly problematic assumptions. The first is that money capital is scarce so that those who possess it deserve special inducements to invest. The second is that money capital is the key productive force—the vital fluid that makes the economy work. In fact, however, money capital is no longer scarce, and it has ceased to be the key productive force. That distinction now belongs to the mobilization of human intelligence through scientific and technological advance and through organized problem solving at the point of production, whether it is a hospital, a factory, or a movie studio.

The problem is that our current system of corporate governance rests on both of these mistaken assumptions. The ultimate power in the corporation belongs to the shareholders because they were willing to trade presumably scarce capital for control. It is this rule that makes it possible for any Bozo willing to offer a few dollars more a share to take over a major corporation. The irrationality of this practice in an era when corporations have been net investors in the stock market seems obvious. Moreover, the firm's ability to make money and provide useful goods and services rests on the skills and capacities of its labor force. And there is absolutely no correlation between the ability to raise billions for a takeover and the managerial skill to motivate employees to perform at high levels. On the contrary, takeovers tend to disrupt the subtle web of understandings that allow employees to be productive. In the current environment, even extremely experienced high-level managers find it difficult to make good decisions about corporate strategy and the choice of new technologies.

The implications of this are obvious. The corporate firm needs to be democratized. The firm's labor force must be recognized as the major stakeholder that should choose top management and determine overall corporate strategy. The voice of those who provide money capital either through equity or debt has to be subordinate in order to assure that the firm adopts a long-term planning horizon. Moreover, democratic debate over corporate direction is likely to produce better decisions than the hunches of a few top-level managers who lack the expert knowledge and hands-on experience that exist further down in the organization.

If this sounds a bit like the argument of a certain nineteenth-century Hegelian philosopher who anticipated that capitalist social relations would one day become a fetter on the development of society's productive forces, it is hardly coincidence. While there was much in

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Marx's thinking about the transcendence of the market and the commodity form that was mistaken, his insights into the problems of capitalist success were prophetic. The political challenge we face is to find alternatives to Marxian political strategies to confront some of the social and economic contradictions that Marx anticipated. □

Notes

[1] This argument is developed at greater length in Fred Block, "Bad Data Drive Out Good: The Decline of Personal Savings Reexamined," *Journal of Post Keynesian Economics*, forthcoming.

[2] One scholar has shown that when Japanese data are recalculated using U.S. depreciation techniques, there are some years in which the U.S. savings rate is higher than that of Japan. Fumio Hayashi, "Is Japan's Saving Rate High?" *Federal Reserve Bank of Minneapolis Quarterly Review* (Spring 1989), pp. 3–9.

[3] See Fred Block, *Postindustrial Possibilities: A Critique of Economic Discourse* (Berkeley: University of California Press, 1990), ch. 5.

[4] Without this adjustment for replacement cost, the increasing rates of depreciation relative to gross investment largely disappear. Both sets of data are provided in U.S. Department of Commerce, *Fixed Reproducible Tangible Wealth in the United States, 1925–1985* (Washington, D.C.: USGPO, 1987).

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Irving Howe

TOTALITARIANISM RECONSIDERED

Yesterday's Theories, Today's Realities

Can the mind confront a harder task than to imagine—truly, deeply to imagine—circumstances radically at variance with those of the immediate moment? Such an effort must be especially hard for intellectuals, who tend to impose theories drawn from the present upon a helpless past. I have in mind here the decade of the 1950s, close enough in time but separated from us by an intellectual and emotional chasm. My intent is neither to defend nor assault the thinkers of that decade, but rather to evoke its distinctive provenance and tone, in the hope of never having to encounter it again.

The destruction of Nazism brought feelings of elation. Barbarism had been uprooted. People talked about "a new Europe" rising up from the ashes of the old. In America intellectuals were captivated by those brilliant young Frenchmen, Sartre, Camus, and Merleau Ponty, with their notions of an existential freedom that might open into social liberation. It began to seem that we were entering a time of lively thought and imagination, unshackled by ideological systems.

But this expectation did not last. The darkening of the political horizon in Eastern Europe, with Czechoslovakia taken over by Stalin's troops in 1948, as if to repeat what Hitler had done a decade earlier, brought on a mood of profound depression. *It was,* one felt, *starting all over again:* the totalitarian blight would remain with us for the rest of our lives. Less irrational perhaps than that of Hitlerism, the politics of Stalinism evidently had a greater social appeal, a deeper root in traditional European insurgency, and would therefore prove harder to oppose. Intellectually, Stalinism evoked keener discomforts than did Nazism, since here the enemy seemed to have come out of "our own" milieu, that of the left. Stalinism used words and symbols representing our hopes. And meanwhile, its rise within Europe coincided with the emerging reports of the magnitude—*the unimaginableness*—of the Holocaust.

Almost everyone I knew fell into a muted gloom, a half-spoken persuasion that apocalypse would turn out to be without end. The meaning of the Holocaust, if it had a meaning, we could not fathom, nor could we absorb its emotional impact; not only did it rend all theories of progress, it brought into disrepute the very idea of humanity. As for Stalinism, in its fusion of revolutionary appeals with a code of murderous cynicism, it seemed a coarse parody of long-cherished persuasions. Yet it enjoyed an immense following in Europe, as well as a new set of allies in the Third World—glamorized dictators, shabby dictatorships. In the struggle for world domination, Stalinism seemed to hold the initiative. Even conservatives like James Burnham and Whittaker Chambers conceded this. And at home, we were trying to cope with the squalor of McCarthyism. The mind reeled.

Historians of a later moment, usually revisionist in outlook, would write that the fear of communist expansion in Europe had been greatly exaggerated during the 1950s, largely

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because liberals and the anti-Stalinist left had been swept away by cold war hysteria. According to these historians, the possibility of a Stalinist seizure of power in France and Italy was very slight, if only because Moscow realized that any such attempt would probably lead to a war it was not prepared to wage. Well, this was easy enough to say a few decades later, once Stalinism in France had been crowded into a corner and the Italian Communist party had transformed itself into a quasi-social democratic movement. No; I think the fear of Communist power in the 1950s was justified, with serious liberals and radicals sharing this fear because they saw that wherever Stalinism took over, freedom died. So let me here, as one premise of what follows, briefly reaffirm the basic validity of liberal/leftist anticommunism, while adding that of course this could and often did decline into error, crudity, and oversimplification—something all but unavoidable in moments of severe historical tension. In any case, this was the setting, by no means ideal, for what would prove to be a major intellectual enterprise of the 1950s: the discussion of theories of totalitarianism.

I begin unsystematically, with two citations from Nazi sources and two from critics of Stalinism. Speaking of Nazi policies for shipping recurrent segments of "inferior peoples" or *Untermenschen* to concentration and death camps, Heinrich Himmler, head of the SS, said: "In this process of selection there can never be a standstill." In the vocabulary of Nazism, "selection" also referred to the *Übermenschen* or the process by which the Nazi leadership, above and sometimes against the formal party structure, renewed itself (a process for which Stalin also showed a decided talent). Nor is this symmetry between elite and damned accidental: it is crucial to the workings of the Nazi mind, entailing constant upheaval, a "permanent revolution" within both the master class and the enslaved, which can never be brought to rest or completion if only because the goal of "purity" must always prove elusive.

Primo Levi, in his memoir of Auschwitz, tells the story of a Nazi guard who, responding to an inmate, said: "*Hier ist kein warum*," here there is no why, nothing need be explained. This remark by a shrewd thug provides as good an insight into the camps and the minds of their creators as anything in the entire scholarly literature. It suggests how difficult it is for the rational mind fully to apprehend the totalitarian ethos: arational, anti-utilitarian, disdainful of the idea of limit, persuaded that through will, organization, and terror all existence can be compressed into a mad coherence.

At the end of his unfinished biography of Stalin, Leon Trotsky writes:

> "L'État, c'est moi," is almost a liberal formula by comparison with the actualities of Stalin's totalitarian regime. Louis XIV identified himself only with the State. The Popes of Rome identified themselves with both the State and the Church—but only during the epoch of temporal power. The totalitarian state goes far beyond Caesero-Papism, for it has encompassed the entire economy of the country as well. Stalin can justly say, unlike the Sun King, "La Société, c'est moi!"

Written in 1938, before the full impact of the total state could be registered, this passage points to the historically unprecedented extent of its reach: the wish and, for a time at least, the ability to control the whole of existence.

Some fourteen years later Czeslaw Milosz wrote in *The Captive Mind*:

> [I]ntellectual terror is a principle that Leninism-Stalinism can never forsake, even if it should achieve victory on a world scale. The enemy, in a potential form, will *always* be there; the only friend will be the man who accepts the doctrine 100 per cent. If he accepts only 99 per cent, he will necessarily have to be considered a foe, for from that remaining one percent a new church can arise.

The absolute coherence of doctrine—this "Orwellian" notion, in various forms—would become a central element in theories of totalitarianism advanced in the 1950s.

Now, it would be an exaggeration to say that these four citations are enough for a reconstruction of the theory (theories) of totalitarianism, but if the customary visitor from Mars had only these passages, he could, I believe, come up with a pretty fair approximation. For they stress a central feature in the thought of the 1950s:

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that totalitarianism was a new and unprecedented phenomenon, both as political movement and repressive regime, not to be assimilated to previous tyrannies, as certain no-nonsense traditionalist historians preferred to do. George Orwell's Goldstein in *1984,* a fictional stand-in for Trotsky, remarks that "By comparison with that existing today, all the tyrannies of the past were half-hearted and inefficient." Traditional tyrannies required passive subjects, while the total state demands active participants, forever mobilized in behalf of sacrifice, meetings, parades, and ritual. Traditional tyrannies lacked the means, perhaps the imagination, for exerting complete control over human life; the total state, gripped by a mixture of renovating fervor and sadistic fury, proposed to break down the barriers between public and private, transforming the masses into warriors of endless mobilization within and without.

Let me now venture a sketch of the central theory. Totalitarian movements arose in a soil of decomposition, usually the decomposition of bourgeois society in the early decades of this century, partly as a consequence of an unprecedented pace of social change leading to spiritual disaffection, widespread anomie, and extreme moral confusion. The "ideological heresy of the totalitarian party," wrote the German social democratic theorist Richard Lowenthal, "can only become historically effective when it merges with the material and psychological despair of the masses, owing to the failure of a social order to solve, in accordance with its own fundamental values, the concrete and urgent problems imposed on it by the uncontrolled process of change." Thereupon, the totalitarian movements break through the cracks of society and rally the masses, those who have lost a consciousness of group interest or class identity and those who have never known it. As Hannah Arendt, the most original theorist of totalitarianism, wrote, "The term masses applies only where we deal with people who either because of sheer numbers, or indifference, or a combination of both, cannot be integrated into an organization based on common interest. . . ." The followers are welded by the totalitarian movement into an "iron solidarity" marked both by selflessness and by the self-dismantling of fanaticism. And at their head, wrote the historian of Nazism, Konrad Heiden, "from the wreckage of dead classes arises the new class of intellectuals . . . the most ruthless, those with the least to lose, hence the strongest: the armed bohemians."

Totalitarian goals are articulated not as the usual demands of social insurgency—better economic conditions, greater political rights—but as encompassing suprahistorical visions, engrossing fictions of emancipation, which give a kind of perverse validity to Himmler's remark—a parody of Bolshevik doctrine—that his SS men were not interested in "everyday problems" but only "in ideological questions of importance for decades and centuries" (the purification of the race, and so on). Precisely the inability of the existing order to satisfy mundane, specifiable needs prompts masses of people to enter a fraternity of combat pledged to unremittent struggle and—because the goal is total—to total methods (falsehood, murder, terror as a system). Before reaching paradise, we have been traditionally taught, we must experience apocalypse; before brotherhood, destruction. The psychic-moral components of this flight from the mundane are brilliantly described by Hannah Arendt:

> [The modern masses] do not believe in anything visible, in the reality of their own experience; they do not trust their eyes and ears but only their imaginations, which may be caught up by anything that is at once universal and consistent in itself. . . .
>
> The masses' escape from reality is a verdict against the world in which they are forced to live and in which they cannot exist, since coincidence has become its supreme master and human beings need the constant transformation of chaotic and accidental conditions into a man-made pattern of relative consistency. . . .

So the role of the follower is fixed: to merge with the movement, to yield heart, soul, and body to the Leader embodying the mystique of history, to abandon personal experience in behalf of phantasmagorical exercises, and to accept the legitimacy of all methods in order to achieve—once and for all!—a final transforma-

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tion. The yearning expressed after the First World War by T.E. Lawrence and other writers who wished to "lose their selves" was now taken over by millions of persons who had no awareness that they had a self.

Once in power, the totalitarian state embarks—its claim to final solutions requires that it embark—on a series of upheavals, assaulting both its own hierarchical structures and other social institutions. There can be no peace. The call goes out for total mobilization, permanent alert, recurrent battle. All this Stalin grasped intuitively, without articulating it to the extent that some of the Nazis did. The endless purges, the demolition of the Bolshevik cadre, the extreme shifts of line requiring complete shifts of personnel, the uprooting of whole populations, the liquidations of entire social classes: this was his version of total mobilization, called "the intensification of the class struggle."

Hitler's upheavals took, first of all, the form of terror against segments of the Nazi party and then against the German population, purging the former of any potential dissidents and reducing the latter to an all-but-undifferentiated mass (or so, at least, the theory of totalitarianism affirmed). In the camps, the Nazis created a picture of their ultimate rule: total domination of the individual, total destruction of human spontaneity. The process of "selection," both above and below, could not stand still.

The Nazis had *an idea*—it would be a grave error to ignore this. To dehumanize systematically both prisoners and guards in the camps meant to create a realm of subjugation no longer responsive to common social norms; and what the camps anticipated in "essence," society would become in substance. The Nazi idea would lead to and draw upon sadism but, at least among the leaders and theoreticians, it was to be distinguished from mere sadism. It was an abstract rage, the most terrible of all. This Nazi idea formed a low parody of the messianism that declared that once mankind demonstrated its warrant of faith, deliverance would come through a savior bringing "the good days"—a notion debased by totalitarian movements into the physical elimination of "contaminating" races and classes. And when the Nazis established their realm of subjection in the camps, they brought to a point of completion the impulse to nihilism that is so powerful in modern culture. It was a nihilism at once selfless and self-obliterating.*

The keenest analysts of the 1950s focused on whatever seemed novel in the totalitarian upsurge: terror as integral and enduring; ideology as the mental double of terror; the erasure of boundaries between state and society, so that "secondary institutions" would be deprived of autonomy; the atomization of social life, with all classes beaten down to a passive, featureless mass; "permanent revolution from above," as the state mobilized itself against internal and external enemies; and the consolidation of a ruling elite, exalted in the Leader, claiming not just a monopoly of power or a variety of goods but the ownership, so to say, of state and society. In all this, the elements of the totalitarian ethos are driven to an extreme.

Two books were central to this discussion: Hannah Arendt's *Origins of Totalitarianism* and George Orwell's *1984*, the first a historical study and the second an imaginative foreboding. Arendt had a gift for isolating what I'd call a terror of essence. Her vision was that of a mad relentlessness, a dash toward apocalypse, accepting no enduring peace but driving on toward climaxes of struggle. The central premise—the great hubris—of the total state, embodied in the mania of Hitler and the will of Stalin, was "the assumption that everything is possible," which "leads through consistent elimination of all factual restraints to the absurd and terrible consequence that every crime the rulers can conceive of must be punished, regardless of whether or not it has been committed."

What, then, is the ultimate end of totalitarianism, if indeed it has one? A union of world domination and apocalypse, with the aim of straightening everything out, breaking reality to

* An apprehension of the psychology behind the nihilism of the Nazis can be found in Sartre's description of the generic anti-Semite: As someone who "has chosen hatred, for hatred is a religion," the anti-Semite "is a criminal for good motives. It is not his fault, at any rate, if his mission is to reduce Evil by Evil. . . . He knows that he is evil, but since he does evil for the sake of goodness . . . he considers himself to be the holy evil."

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the demands of a conception rather than fitting conceptions to the "unevenness" of reality. This, said Arendt, entails not merely the transformation of society but "of human nature itself." Before so fearful a prospect, the mind balks, since "in each of us there lurks . . . a liberal, wheedling us with the voice of common sense," taking the phenomenon of terror to be a mere aberration and the stress placed on it by writers like Arendt and Orwell as a yielding to hysteria.

The critics who so attacked Arendt and Orwell were not entirely inaccurate; I'd merely say they were wrong. To penetrate to the devil's soul, you need a touch of the devil yourself; to grasp the inner meaning of totalitarianism—again, with the proviso, if there is one—you must yield yourself a little imaginatively, even, as some critics remarked rather nastily about Orwell, with a streak of morbidity. In thinking about the world of *1984* morbidity is hardly the worst of possible errors. For what Arendt and Orwell were trying to do was to imagine something at once unimaginable and not at all unlikely; to enter the wanton spaces of the totalitarian mind; to see for a moment what drove a Himmler in reality, an O'Brien in fiction. And for this they were convinced that it was not very helpful to see totalitarianism as essentially the extension of monopoly capitalism or Leninist dictatorship or even human beings' inherent sinfulness. All these were no doubt present as contributing factors, but what made totalitarianism so powerful and frightening was precisely its break with old traditions, good and bad; precisely its embodiment of a radical new ethos of blood, terror, nihilism. Perhaps, as a burden of advantage, there was a disposition to accept a little uncritically the notion of a totalitarian "essence," a sort of ideal Platonic form of which the regimes headed by Hitler and Stalin were flawed realizations. That no actual society conformed, or could conform, to Arendt's model is not of course a fatal criticism of her work.

It was this model or nightmare vision that decisively influenced serious thought in the 1950s. It led us to conclude that totalitarianism as a system could not be changed from within or modified through conflicts among segments of its ruling elite—a conclusion, as we shall soon see, that in time would be happily damaged. The implicit assumption was that totalitarianism is a society that has reached a kind of stasis, even if one of sustained chaos. In effect, if not with explicit recognition, this new kind of society comes to signify an end to history. Orwell, in this respect, was shrewder than Arendt, since in *1984* he anticipated a gradual slackening of the unfuture, a diminution of that ferocious intensity that had marked the totalitarian state. But while keenly envisioning a drop from fanaticism to torpor, Orwell did not suppose this would affect the continued employment of terror. In the world of *1984* terror takes on a life of its own, almost as if become a mere habit. Orwell failed to consider that the energies making for terror might also run down, so that it would be replaced, as it was for some years in the Soviet Union, by terror-in-reserve.

The question that was ultimately raised by both Arendt and Orwell—the question of human nature: whether it is endlessly malleable, whether the totalitarian program of leveling it to uniformity could be more than a wild fantasy—was canvassed in another remarkable book of the 1950s, Czeslaw Milosz's *The Captive Mind*. His subject, wrote Milosz, was "the vulnerability of the twentieth-century mind to seduction by sociopolitical doctrines and its readiness to accept totalitarian terror for the sake of a hypothetical future." He warned against those in the West—quite as Arendt had warned against the limitations of liberal rationality—who saw the fate of Eastern Europe "in terms of might and coercion. That is wrong. There is an internal longing for harmony and happiness that lies deeper than ordinary fear or the desire to escape misery or physical destruction."

Such assertions found a warm response because they seemed to provide an explanation in depth, beyond mere historical contingencies, for the spread of totalitarian politics, especially Stalinism. Even the few of us on the anti-Stalinist left inclined to skepticism were impressed by the scope and sweep of Milosz's analysis. He began by evoking a forgotten book

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that had appeared in Warsaw in 1932: its author, Stanislaw Wietkiewicz, creates "an atmosphere of decay and senselessness [that] extends through the entire country." (For this obscure Polish work Western readers could substitute the early novels of Evelyn Waugh, brilliant in creating, through grim farce, "an atmosphere of decay and senselessness.") And then, continues Milosz,

> a great number of hawkers appear in the cities peddling Murti-Bing pills. . . . A man who used these pills changed completely. He became serene and happy. The problems he had struggled with until then suddenly appeared to be superficial and unimportant. . . . A man who swallowed Murti-Bing pills became impervious to any metaphysical concerns.

What Murti-Bing did in Wietkiewicz's fiction, diamat (dialectical materialism) was now doing, said Milosz, for true believers in Eastern Europe, bringing harmony and happiness to the point where they became "impervious to any metaphysical concerns." Indeed, "Murti-Bing is more tempting to an intellectual than to a peasant or laborer. For the intellectual, the New Faith [communism] is a candle that he circles like a moth. In the end, he throws himself into the flames for the glory of mankind."

The heart of Milosz's book consists of sketches of famous Polish writers who had accepted the Stalinist regime: Alpha, the hero of whose novel "had merely traded his priest's cassock for the leather jacket of a Communist"; Beta, whose terrible Holocaust experiences had turned him into a despairing nihilist appalled by human physiology and who, after churning out propaganda pieces for the party, stuck his head into a gas jet; Gamma, "who considered himself a servant of the devil that ruled History, but . . . did not love his master."

All of these sketches were brilliantly evocative, dramatizing the feckless repudiation of humanist values that forms so large a portion of twentieth-century intellectual history. Yet precisely because they were more complex and modulated than the theory enclosing them, the sketches undermined Milosz's thesis, for in each case his description made clear that these intellectuals were not simply drawn, like moths to the flame, by the idea of "totalitarian terror for the sake of an hypothetical future." Nor lulled into "harmony and happiness" through dialectical materialism, a philosophy most Polish intellectuals could not begin to fathom. Milosz's own work showed that many of these writers were in fact already marred or soiled by earlier intellectual-moral compromises, that some brought to Stalinism previously nurtured delusions of elitist superiority, and that others had experienced breakdowns of character making them susceptible to totalitarian manipulation. And then there were the commonplace factors of opportunism, fear, greed, vanity. Human nature was not being transformed; the self was not being recreated, it was being violated.

Still, Milosz's narrative persuades one that among these Polish writers there was indeed a kind of idealism at work, often hopelessly entangled with cynical and nihilist sentiments. Anti-Stalinists of both right and left tended to minimize the possibility that there were serious intellectuals in Eastern Europe who sincerely believed in Stalinism, even during the bitter years of Rakosi and Gottwald. I think of the rending instance of Leszek Kolakowski, today a major intellectual figure of humane sensibilities, who before 1956 was an ardent Stalinist. Later, when I met some young leaders of the Hungarian Democratic Opposition, I listened to their stories of having been brought up in the homes of fanatical Stalinists, true believers even during the years of terror.

So perhaps Milosz was not entirely wrong. He was guilty, I think, of an intellectualistic fallacy, that which examines the behavior of intellectuals exclusively or mainly in terms of an autonomous life of ideas—a way of looking at their experience that may lend drama and pathos to an otherwise sordid story. In the main, the reality seems to have been that the experience of intellectuals under Stalinism was not so different from that of other people. Milosz himself remarked, "The one thing that seems to deny the perfection of Murti-Bing [but then, also diamat] is the apathy that is born in people, and that lives on despite their feverish activity." Yes; but apathy, socially regarded, is always more than just apathy. What may seem the apathy of people held down by oppressive

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regimes and forced to keep chanting and marching also contains a streak of good sense, of saving skepticism, of rudimentary resistance. Human nature buckled, adapted, weaved, but survived largely intact. This apathy was a defense mechanism employed by those who, against the commands of History, were "victims of the delusion," as Milosz nicely puts it, "that each individual exists as a self." Try, today in Warsaw or Budapest, to deny this!

I want to end by discussing the criticisms of the totalitarian theorists of the 1950s, but first a brief digression to a still-earlier discussion of the same problems as it flourished in the milieu of the anti-Stalinist left. About Nazism it had little of theoretical interest to say; in Stalinism it found a kind of distorting mirror, raising problems of identity.

Turning away from Trotsky's Marxist orthodoxy, which labeled the Stalin regime a "degenerated workers state" because it continued to rest on noncapitalist property forms, several figures in the anti-Stalinist left developed an incipient theory of totalitarianism within or near the categories of an unorthodox Marxism. One of the first was Rudolf Hilferding, the Austrian Social Democratic economist, who in 1940 argued against those who called the Stalinist regime "socialist" and those who labeled it "state capitalist." Wrote Hilferding:

> A capitalist economy is governed by the laws of the market . . . and the autonomy of these laws constitutes the decisive symptom of the capitalist system. . . . A state economy, however, eliminates precisely the autonomy of economic laws. . . . It is no longer price but rather a state planning commission that now determines what is produced and how. . . . Both the "stimulating fire of competition" and the passionate striving for profit, which provides the basic incentives of capitalist production, die out.
>
> It is the essence of a totalitarian state that it subjects the economy to its aims. . . . Present-day state power, having achieved independence, is unfolding according to its own laws, subjecting social forms and compelling them to serve its end.

This analysis was followed by writings from the dissident left and ex-Trotskyist groups, notably those of Max Shachtman, who developed a theory called "bureaucratic collectivism," which asserted that Stalinist Russia was a new form of exploitative society in which the bureaucracy had stiffened into a ruling class. Total control of the state in a country with a nationalized economy meant total domination of society. Some years later, a somewhat crude version of this theory was advanced by Milovan Djilas in his work on the New Class.

Compared to prevalent liberal and Marxist views of communist society, the theory of bureaucratic collectivism, which anticipates in part the theory of totalitarianism, had one great value: it stressed historical novelty, graphically outlining the shape of the party-state dictatorship. Its weaknesses were that it provided a static "take" rather than a "picture in motion," making little or no provision for historical dynamic, and that it did little to analyze the inner workings of the Stalinist economy.

Within the left, the major antagonist of this approach was the historian Isaac Deutscher. With his stress on economic determinism and his belief that the decades of Stalinism constituted a time of "primitive accumulation" (yes, but in behalf of what kind of society?), with his quasi-Marxist attribution of the Stalinist "deformation" to Russian historical backwardness (here he followed Trotsky, though without the same critical passion), Deutscher lent a certain aura of necessity to Stalinism, partly legitimating the tyrant as one who was performing the cruel but inescapable tasks of History. But Deutscher was mistaken in his assumption that the Soviet Union, because it had a "planned economy" (we might better call it an ill-planned economy) was thereby creating the ground for its own liberalization. It now seems quite the other way round: that it is the crisis of the economy and the failure to provide material well-being that have provoked *glasnost* and *perestroika*.

In fairness, however, we must grant one essential point to Deutscher. Unlike theorists who became fixated before the horrors of totalitarianism, he stressed the inescapability of change within the Soviet system. Some of his reasons for expecting change were mistaken, but the expectation itself was an important corrective. "It would be a striking mistake," he

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wrote, "to treat totalitarianism metaphysically as a state of society's utter immobility, or of history's absolute freezing, which exclude any political movement in the form of action from below or reform from above."

Even in the 1950s there was a certain common-sense skepticism with regard to the dominant theories about the total state. David Riesman, for example, stressed the danger of overestimating the "capacity of totalitarianism to restructure human personality," of overestimating Stalinism's "efficiency in achieving its horrible ends," and of "mistaking blundering compulsions or even accidents of the 'system' for conspiratorial genius." In an oblique thrust at Arendt, he warned against succumbing to "the appeal of an evil mystery." Certain constants of human behavior, not perhaps the most admirable but valuable as limited defenses against the omnipotent state—such defenses as apathy, corruption, opportunism, crime—still operated, wrote Riesman, in both Nazi Germany and Stalinist Russia. Corruption might serve "as an antidote to fanaticism," a modest human failing against monstrous inhumanity. It's an error, argued Riesman, "to imagine social systems as monolithic, and as needing to be relatively efficient to remain in power." And—this strikes close to my theme—one lesson from the post-Hitler years and the stories of refugees from the Iron Curtain is "how hard it is permanently to destroy most people psychologically." What Riesman was warning against was the tendency to see the total state in totalistic terms, making of it something beyond comprehension and thereby perhaps beyond opposition. There was a strand of shrewdness in this critique, but it seemed to refuse the imaginative leap required for a full grasp of this new social phenomenon. Which may be why Riesman's observations exerted little influence.

A more fundamental criticism began to unfold after the Hungarian Revolution of 1956. Even the most ardent admirers of Arendt had to admit that her theory offered a keener insight into Nazism than into Stalinism.* While the Stalin dictatorship might roughly conform to the general traits laid down by the theorists of totalitarianism, it contained distinct elements these theories could barely account for. It had its own socioeconomic system; it allowed a larger portion of rationality than did Nazism; it drew upon or exploited the Marxist tradition; and it claimed to speak in behalf of humanist values, which the Nazis openly despised. Even its dull parroting of sacred texts enabled critical readers to see that the regime was violating Marxist prescriptions and expectations. Perhaps more useful than Arendt's approach to Stalinism was Trotsky's insight in 1938 that Stalinism and Nazism were "symmetrical phenomena," that is, similar in surface methods but different in social structure and historical character.

By the 1960s, in any case, it had become clear that if you held strictly to Arendt's theory, the Soviet regime in the post-Stalin years could no longer be called totalitarian. The ideology was still there, even if in deep decay; the dictatorship was still there, even if less brutal; but active terror had been sharply reduced, if not entirely eliminated. Yet some theorists, like Richard Lowenthal, argued that there were still grounds for describing the Soviet Union as a totalitarian society. Crucial for him was the presence of a one-party dictatorship arrogating to itself complete authority in social and political life. But as experience would soon show, once terror disappeared, such a dictatorship could not long maintain total power, since the risks of opposition decreased, as did the risks of any autonomous enterprise by ordinary people.

From the vantage point of retrospect—one that always grants a keener wisdom than that of our predecessors—the theory of totalitarianism had the great value that it forced attention upon

* In an appendix to the paperback edition of *The Origins of Totalitarianism*, Arendt recognized the historical significance of the 1956 Hungarian Revolution and keenly suggested certain comparisons between its improvised institutions of self-rule and earlier efforts in Europe to set up workers' councils. Her response was exemplary, but I don't believe that her theory of totalitarianism provided a ground, or at least a sufficient ground, for the expectation that there could be major revolts against totalitarian rule.

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what was historically novel in the Hitler and Stalin regimes. The writers of the 1950s, it may be, were offering less a scientific analysis than a kind of historical poetry, a brilliantly evocative image of what had shattered the modern world. From no other writers could you gain so strong a "feel" of the totalitarian outlook, its radical demonism, its corrosive nihilism, as from Arendt and Orwell. Arendt sought to reach the ultimate spirit, the kernel of motive, in Nazism, that which prompted people joyously to kill and be killed. She wanted to penetrate the heart of darkness, even if the cost was that occasionally her work took on a slight tint of darkness too.

With time the flaws in the theorizing of the 1950s grew more glaring. If the monstrousness of totalitarianism posited an end to history, it turned out that history did not end, it just dragged on. Arendt and Orwell had captured the madness of their moment, not as aberration or excrescence but as a driving historical power, and in that, for a time, they were right.

Let us now ask the inevitable question about the theorists of the 1950s—Arendt et al.—were they "right" or "wrong" in their analysis of totalitarianism? I hope it doesn't seem evasive if I say, they were both: right and wrong. They were stronger at evocation than prognosis, keener in searching out historical novelty than in acknowledging historical continuity. Now that the communist world has collapsed, it is tempting to stress the mistakes and excesses of the 1950s theorists: their categorical absolutism, their "essentialism," their inclination to see an apocalypse that would bring historical motion to an end, and their tendency to endow the totalitarian state with an almost mystical "perfection" that it did not really have. Yet, if I will be allowed a paradox, I believe that these analysts were less "wrong" than were some of their critics who were more "right." There are times when brilliant improvisation is more suggestive and useful than rational caution. In any case, how long does a theory have to last? We are still debating the French Revolution; why then should we expect theories of totalitarianism to be anything but vulnerable? Theories that serve even a brief historical moment serve us well.

In the intervening decades there has been no shortage of critiques of the 1950s theorists. A special virtue of Michael Walzer's essay "On Failed Totalitarianism" (*Dissent*, Summer 1983) is that it is written in a spirit of generosity, making clear that its amendments and corrections would not be possible without the prior achievements of those he is criticizing.

Aware that in major respects totalitarianism did reach some of its goals—Hitler destroyed half of European Jewry, Stalin the original Bolshevik leadership as well as millions of innocents—Walzer argued that finally totalitarianism had failed. The Nazi and Stalinist movements did not seize control of the world; their regimes did not survive for more than a few decades; the apocalyptic mood they stirred in both followers and opponents has largely faded. What followed the Stalin dictatorship was a mere oligarchy, dead in spirit and unable to preserve even its powers and privileges. Nor was the totalitarian corruption of language a lasting phenomenon. There is no reason to believe, wrote Walzer, that the state can control human conversation, "the rhythms, intonations, juxtapositions of any people who can speak at all." Human beings cannot be permanently transformed by terror, nor their language by fiat. The end of days has not come. And even Walzer's view that the true legacy of totalitarianism is "authoritarian rule" must now, happily, be greatly modified.

For we are witnessing one of the most remarkable transformations in modern history, giving reason to hope that the time of the total state is gone, even if there remains the possibility of a reversion to authoritarian rule. The events in the Soviet Union show that, as in Italy and Germany a few decades ago, all the sociopolitical forces, good and bad, suppressed by the total state have a way of reappearing once a bit of freedom is allowed. The spirit of democracy, the tradition of democratic socialism, sentiments of national and ethnic solidarity: all come back, revealing the continuity of human experience and the resilience of the human being. No, it's not the end of days; still, honor to those who had enough imagination a few decades ago to fear it would be. □

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Abraham Brumberg

POLISH INTELLECTUALS & ANTI-SEMITISM

Mostly, It's an Unhappy Record

This article is a condensed version of a longer study. Some examples and citations have had to be omitted here.—EDS.

Poland today is the classic home of "anti-Semitism without Jews." More than twenty years after the frenzied anti-Semitic campaign of 1968, which brought about the exodus of nearly all remaining Polish Jews, hardly a week goes by without some anti-Semitic incident either in the capital or in a provincial city.

On September 5, 1990, for instance, *Gazeta wyborcza*—the only daily (edited by Adam Michnik) reporting regularly on such incidents—published a photograph of the Warsaw Monument to the Ghetto Fighters, defaced (not for the first time). The slogan "A good Jew is a dead Jew" (*Dobry Zyd to martwy Zyd*)* was daubed over the monument's inscription that "this was the path of suffering and death taken by over 300,000 Jews from the Warsaw Ghetto to the Nazi extermination camps in the years 1942–1943." It took several attempts to prevail upon the local authorities to remove the anti-Semitic slogan. One municipal official, Ewa Domanus, wondered what the fuss was all about. "Our underground passages," she said, "are littered with hundreds of thousands of signs and no one pays any heed."

In the government daily, *Rzeczpospolita* (August 11–12, 1990), Krystyna Kersten, a scholar not given to overstating the magnitude of Polish anti-Semitism, writes:

> In a country practically devoid of a Jewish minority, anti-Jewish paranoia is once more on the rise. The public imagination is obsessed with Jews in the government, in parliament, in the press, in television, and God knows where else.

Nor is this view just a minor aberration, says Ms. Kersten:

> The Poles' perception of the Jews as aliens remains as deeply rooted as before, and the pre-war malevolent stereotype of the Jews as a "nation of pedlars" marked by . . . selfishness, stinginess, craftiness, greed and a penchant for helping only their own kind continues to flourish to this day. . . . Anti-Semitism is now the dominant reaction to any remotely ominous situation. The Jews have become the very embodiment of our fears. . . .

If anti-Semitism were atypical or even (as some Poles maintain) unpopular, then surely Lech Walesa, head of Solidarity, would hardly permit himself to voice sentiments offensive to Jews—and get away with it.* Nor would a

* Two weeklies also comment regularly on anti-Semitic incidents—*Polityka*, for years a liberally oriented communist, now independent, journal, and the left-of-center *Po prostu*, which takes its name from the Marxist revisionist magazine that championed "humane socialism" in the 1950s. *Po prostu*'s stand is most uncompromising of all. The liberal Catholic weekly *Tygodnik powszechny* has a good record in this area, except that it generally refrains from criticizing the church.

* According to Walesa, the charge that a gang of Jews "had gotten hold of the [country's] trough and is bent on destroying us" applies not to "the Jewish people as a

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patently malicious homily by the Polish primate, Jozef Glemp, be greeted with so much public approval or passed over with scarcely a word of reproof by the country's intellectual and political authorities. Only this lack of protest can explain the fact that a Solidarity activist, Piotr Krasucki, could tell a foreign journalist, "in what he meant to be a wisecrack," that the "only people" in favor of abortion "were Jews and communists."**

The irony—if that is the word—is that anti-Semitism now seems more insidious than under the communist regime, which many Poles and Jews regarded as the major catalyst of anti-Jewish hatred for nearly half a century.

During the four decades of Communist rule there were periods of organized hatred, such as the 1968 campaign, far more openly vicious than anything at present. But anti-Semitism in Poland after World War II was not simply a creation of the communist regime. Communist anti-Semitism was also rooted in the Polish political culture of the past two centuries, and its rhetoric often resembled that of the prewar "National Democrats" (*endecja*).*** To the extent that communists could tap popular hatreds, they could also keep them under control—or even, where convenient, switch to a "pro-Jewish" position. An example is the Polish government's sponsorship in 1983 of the fortieth anniversary of the Warsaw Ghetto Uprising—this after a period of officially tolerated "anti-Zionist" diatribes in the press.

The situation now is radically different. The communist managers are gone. With nearly all Jews also gone, political manipulation of anti-Semitic sentiments has become less important than its popular survival. Such sentiments hardly ever relate to live human beings—that is, the few Jews still in Poland's public life—but rather to phantoms of the past, what Professor Kersten calls "the very embodiment of [the country's] fears."

For "fears," read "mass paranoia." If the country is replete with rumors not only that the Solidarity leader Jacek Kuroń and Premier Mazowiecki are Jews but even that Cardinal Glemp is also a Jew, and if walls are plastered with Nazi-style slogans, then we are faced with a kind of mass hysteria. Of course the twentieth century has seen infinitely more horrifying outbursts of this madness, but it is precisely the fact that the resurgence of bigotry is taking place in the post-Holocaust and posttotalitarian era that makes it so ominous.

I have dealt thus far with the more extreme "popular" aspects of anti-Jewish bigotry. Let me now turn to the way anti-Semitic stereotypes manifest themselves in the "cream" of Polish society, the intelligentsia.

The French Catholic thinker Jacques Maritain once noted that in Poland "the most odious events are those which occur in circles that, presumably reserved to science and culture, transform themselves into vehicles of racist influence and provokers of passions." Three and a half million Jews less and half a century later, much the same could be said about Poland today. Here is an example.

Janusz Korwin-Mikke, head of an extreme conservative group called "Union for a Realistic Policy," is a commentator given to anti-Semitic diatribes. Three years ago Korwin-Mikke, in the Catholic-nationalist weekly *Lad* (September 7, 1988), warned that the behavior of Israel toward Arabs was so bound to inflame Polish opinion that "we shall again have to hide Jews in our cellars, as we did during the war." A year later Korwin-Mikke accused "the international Jewish left" of having dragged "Poland into a war with Hitler" (it would have been wiser for Poland to join Hitler against the

whole" but only to those "who are looking out for themselves while giving not a damn about anyone else." (See *Gazeta wyborcza*, June 24, 1990, and my article "Look at Lech Walesa Now," *The Washington Post*, August 14, 1990.) More recently, Walesa advanced the novel notion that anti-Semitism is "provoked by Jews who hide their nationality" (see "Poland's Jewish Uproar, And With So Few Jews," by Stephen Engelberg, the *New York Times*, Sept. 17, 1990.)

** Peggy Simon, "Poland's 'Morality Lesson' . . . Abortion, Divorce Are Harder to Obtain in the New Regime," the *Washington Post*, Sept. 2, 1990.

*** In the twentieth century almost all political parties in Poland incorporated anti-Semitism into their political programs. By the 1930s the only parties opposed to persecution of Jews were the Polish Socialist party, the minuscule Democratic party, and most unambiguously the even smaller Polish Communist party. This helps to explain why a disproportionate number of Jews were in the Polish CP.

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Bolsheviks, he wrote). This year he wrote in *Mloda Polska* (April 28, 1990):

> The plain truth, of course, is that after 1968 the aggrieved [Polish] Jews went to Israel or to Brooklyn, to do business, like normal people. If they loved Poland and wished to remain near it, they could take advantage of the hospitality of the Swedish socialists. On the other hand the wanton *zydo-komuna*, pardon: *zydo-socl*, had gained control over "Free Europe" and "the Voice of America"—which wasn't hard for these intellectuals, since in America nearly all of them are leftists—and in addition political journalism is almost entirely in Jewish hands.*

In late 1990, the Association of Polish Journalists presented Korwin-Mikke with the Antoni Słonimski award for his "intellectual provocations"—a phrase suggesting that this anti-Semite's "provocations" are somehow legitimate or even to be valued. It is a commentary on the editors of *Mloda Polska*—among them distinguished scholars such as Professor Andrzej Stelmachowski, currently Marshal of the Senate, and the legal expert Jan Olszowski—that they thought it fitting to publish a piece containing standard fascist abuse ("*zydo-komuna*"). And it is no less revealing that an association of journalists should bestow upon its author an award named after the great Polish poet Antoni Słonimski, himself a frequent target of anti-Semitic attacks before the war and after.

The attitudes of the intelligentsia toward anti-Semitism are as tangled as they are extraordinary, for one thing because of the role Jews have played in the formation of this social stratum during the nineteenth century, and for another because Polish popular attitudes about Jews and other matters have largely been shaped by the intelligentsia and by the church—often by the two together.

That Jews formed a sizable portion of the nascent intelligentsia in Poland is a fact. They brought to it a high regard for learning as an avenue to social distinction. As long as the Jews constituted a separate caste, with their own language, religious customs, and communal institutions, they were not perceived as a serious threat to the Polish nation. Public attitudes toward Jews were often antagonistic, shaped by Christian myths of the Jew as killer of Christ and corrupter of Christian values. To this add the image of the Jew as middleman and moneylender—professions largely forced upon the Jews because of their exclusion, by law and common practice, from most other pursuits (as well as from owning land). In addition, the Polish nobility vested the Jews with economic functions it disdained itself to engage in.

The situation of the Jews in Poland began to change radically by the mid-eighteenth century and reached a point of crisis about a century later. On the Jewish side, there was the emergence of the Haskalah (Enlightenment), assimilation, and the Industrial Revolution, in which Jews played an active role—all part of the vast process of modernization that was sweeping Europe. On the Polish side, the disintegration of the Polish state at the end of the eighteenth century gave rise to a fiercely nationalistic movement that saw Poland as the victim of history and conspiratorial forces (in the first place, the Jews).

The Jew, that archetypal figure, thus became a *problem*—a problem, as many Poles saw it, for the survival of Polish identity that included economic competition, interpersonal relations, and politics. The Jew remained a stranger, but a stranger now thrust into the center of Polish life. How to deal with this problem became one of the major concerns—one might say obsessions—of the Polish intelligentsia.

The views of the intelligentsia were not uniform, of course. One can identify roughly two groups that arose at that time: the nationalist-conservatives and the liberals. The first became, next to the Catholic church, the major source of anti-Semitism in Poland. Both the church and the nationalist intelligentsia shaped the popular image of the Jew as not only a contemptible figure but as an *enemy* of Christendom and of the Polish "national essence" (a term favored by Roman Dmowski, father of the xenophobic National Democratic

* The term *zydo-komuna* is pieced together from "Zyd" (Jew) and "komunist" (communist). In *Mloda Polska*, Warsaw, April 28, 1990, as cited by Alina Grabowska in *Po prostu*, July 19, 1990.

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party—the "Endeks"—founded in the late nineteenth century and holding steady to this day). The "liberals," on the other hand, spurned any form of national or religious hatred, arguing for tolerance of all minorities, including the Jews.

Korwin-Mikke—to return to the present—is a typical representative of the first group while Stelmachowski and Olszowski, mentioned earlier, and many in the journalists' association belong to the second. Korwin-Mikke turns out anti-Semitic invective; the others, while disapproving of such "provocations," provide him with a forum and even honor. One can account for the behavior of the first group, but what accounts for that of the second?

For an answer, we need another brief glance at the past. Although the nineteenth-century Polish liberals repudiated national or religious bigotry, they still had one thing in common with the nationalists: an assumption that the Jews could or should be integrated into Polish society only if they were prepared to become fully assimilated—not religiously, but culturally, linguistically, and socially. Which is to say, the price of tolerance was Polonization. As it turned out, there was yet another price to pay—the repudiation of Jewish values (again, except for religion). Jewishness came thereby to represent a stigma.

In independent Poland they were met increasingly with hatred bordering on the pathological, most of it emanating from the ranks of the nationalist-conservatives. Jewish writers were subjected to abuse, students physically attacked and forced to occupy special "ghetto benches" at the universities; by the late 1930s Jewish lawyers and doctors were excluded from professional organizations. The situation had the marks of unrequited love: many Jews desperately tried to become part of Polish culture and society but almost always their efforts met with scorn and hostility.

Let me return to the Polish intelligentsia of today. Among young ones there are many with a genuine interest in and sympathy for Jewish culture and history. A number have even learned Hebrew and Yiddish, to produce scholarly works on Jewish subjects—something that would have been utterly unthinkable in prewar Poland. Yet, although there are more "liberals" in the intelligentsia now than before, attitudes toward Jews seem more complicated and ambivalent than half a century ago.

Before the war, anticlericalism was the stock-in-trade of the left, what with the church firmly on the side of the large landowners and the right-wing political parties. After the war, the church became, for virtually all Poles, a haven for the poor and the persecuted, a defender of national values, and an implacable enemy of communism.

This perception was only partly correct. In fact, the church was ready to collaborate with the communists as long as its institutional demands were met. And while many priests supported Solidarity, the church as such kept its distance.* Nevertheless, in the public mind, including large sections of the intelligentsia, the church was sacrosanct, and every criticism of it—including criticism of church-sponsored anti-Semitism—was taboo. The liberal intellectual, therefore, was inclined either to keep silent or devise ways to obscure and downplay repugnant policies.

The relationship between Jews and communism is another case in point. Before the war, the demonic image of the "communist Jew" as the enemy of Poland (a metamorphosed anti-Christ) was disdained by the liberals. In recent decades, the latter have been faced with the question of why a disproportionate number of Jews flocked to communist banners after the war and why some played a prominent role in the ruling apparat. The answers were not difficult to fathom. But, inasmuch as they called attention to the central role of anti-Semitism in Polish life, at least some liberals preferred to see discussions of anti-Semitism as expressions of "anti-Polonism." Complacent

* In 1950, for instance, in return for a number of concessions, the church pledged itself not to oppose government policies, including collectivization, and to apply canonic sanctions against priests involved in anticommunist activities. In 1956 it supported Gomulka in return for permissions to teach catechism on school premises. And during Jaruzelski's martial law period, the primate, Jozef Glemp, made it clear that he regarded abortion, divorce, and the "threat" of atheism far more important than the struggle against the regime.

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myths are more tolerable than disagreeable truths.

A good part of the liberal intelligentsia, then, is burdened both by past myths and more recent ones, as well as by an elaborate set of mechanisms for evading reality. Many Poles, quite unaware of these mechanisms, would be genuinely shocked if told that their views are not grounded in demonstrable facts and logical argument but in obsessive fears. Thus, in the writings of Polish liberals, the Jews' alleged hatred for all things Polish is too often condemned as if it is morally equivalent to Polish anti-Semitism. The tendency to apportion guilt on both sides—the Jewish and the Polish—as well as the general tendency to whitewash Polish anti-Semitism by finding all manner of "rational" reasons for it has taken many forms, the theory of a Jewish conspiracy to defame Poland being one of them. In 1985, to take a salient example, a chorus of protest greeted the appearance of Claude Lanzmann's film *Shoah*, which at first nearly all Polish intellectuals, with two prominent exceptions (Jerzy Urban and Artur Sandauer, both Jews), described as a sinister attempt to defame Poland.

Even the by-now historic discussion of Polish-Jewish relations that in 1987 appeared in the Catholic weekly *Tygodnik powszechny*, while distinguished for trying to face this topic honestly (especially in the opening essay by Professor Jan Blonski), is not devoid of attempts to place the blame on others. An essay by the eminent historian Stanislaw Samsonowicz, "The Deep Roots and Long Life of Stereotypes," while exposing the persistence of anti-Semitic stereotypes, "especially among certain circles of young people in the countryside and small towns," nevertheless ends with a peroration on the ostensible Western image of a Pole, "that coarse, uneducated, avaricious simpleton, brute, drunkard—if not gangster—and . . . anti-Semite." This image, Professor Samsonowicz maintains, derives from Jews, though not, he explains in a novel twist, from Jews of Polish descent but from those "connected with German or Russian culture . . . who assimilated the stereotypes which Prussian literature and historiography . . . formulated," later joined by the "leading American-British circles," which with typical "Anglo-Saxon hypocrisy" have accused the Poles of not helping the Jews during the war in order to disguise their own failure to do so.

One would have thought the gas chambers, all on Polish soil, and the millions of corpses should have served as a shattering lesson about the horrors of racism. In Germany acts of contrition have been accompanied by educational efforts to make the population aware of the German responsibility for the Holocaust. In the Soviet Union, where there is also rampant anti-Semitism, the liberal intelligentsia has waged an open, unqualified battle against it. The Czech intelligentsia has done the same. The Latvian parliament recently passed a law condemning anti-Semitism and providing penalties for incitement to ethnic hatred. Only in Poland have the political authorities and the country's intellectual leaders been reluctant to examine themselves and their past critically.

Some observers have argued this is largely due to Poland's self-image—not without basis in fact—as a victim of history. A victim will resent the idea that he may himself also victimize others and develop a propensity for self-righteousness and martyrology. There is much to this theory—but there are other causes too. They lie, it seems to me, in Poland's political culture and in the role played by the Catholic church.

During the legal Solidarity period (September 1980–December 1981) there was a hope that Poland would gradually get out from under the ideological domination of the church and evolve toward a more open and tolerant system. The church played a constructive role during this period, granting its facilities to dissident writers and artists, lending support to what the opposition then called the "self-limiting revolution." But in those months of Solidarity strength, the church was in no position to impose its dogmas on Polish society.

During the martial law period that followed, the Church became, in the eyes of a majority of Poles, the major bulwark against a totalitarian (and "Godless") regime. Even the secular intelligentsia, in the past at least passively

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anticlerical, was now swept into a religious-nationalist euphoria. People who had seldom been seen inside a church suddenly became converts—some out of genuine conviction, some for opportunistic reasons. Gone were apprehensions about the church's agenda: divorce, contraception, "a proper Catholic education," and so on. The true winner was neither the Jaruzelski regime, whose authority sank to near zero, nor Solidarity, which was torn by bitter feuds. It was the church. Consumed by fatigue, disenchantment, cynicism, and spreading corruption, one part of the population sank into a stupor, while another rallied around the comforting symbols of Eagle and Cross.

Into the void left by the collapse of communism in 1989 stepped a triumphant church. Politically, of course, Solidarity seemed victorious. But it was a weakened Solidarity, with a reduced number of bona fide members. When Cardinal Glemp delivered his anti-Semitic homily, Premier Mazowiecki, known for his dislike of anti-Semitism, was unable (or unwilling) to protest. Neither did Adam Michnik, the liberal publicist. His paper, *Gazeta wyborcza*, has reported faithfully on anti-Semitic outrages, but its criticisms have been hobbled by some of the stereotypes to which a good part of the intelligentsia is addicted. And Michnik's paper has been timorous in criticizing the Church.

The church, no longer needing to maintain a modus operandi with a hostile regime, has returned to its real agendas with a vengeance. It continues to participate in "dialogues" with rabbis and the like, but these leave little imprint on the faithful, including the lower clergy. It has brought religion back to the classroom, which in Poland means further isolating nonbelievers and non-Catholics and subjecting them to the mercies of a largely intolerant public (there have been several reports of Jewish children set upon by schoolmates, with virtually no rebuke from teacher or principal). Under the pressure of the church, the Senate has recently passed a law making it more difficult to obtain divorces. Under the same pressure, Mazowiecki's government has issued new regulations (without any discussion in the parliament) restricting a woman's access to abortion.

Where does the liberal intelligentsia stand on these issues? Some have protested, and some have not hesitated to point to the church as a major source of the new authoritarianism sweeping the country ("a black dictatorship is no better than a red dictatorship" is the way they put it). But most have, in effect, capitulated. Many Ministry of Education officials are known to have opposed the reintroduction of religion on school premises. Many Ministry of Health officials are likewise known to oppose obscurantist legislation on abortion. But open opposition to the church comes hard to most Poles. As of this writing, the "left-of-center" political coalition ROAD, which opposes Walesa, has not said a word about the new regulations and laws on religion, divorce, or abortion.

As for anti-Semitism—an organic component of the new political ethos—it would be wrong to suggest the myths and stereotypes of the past are shared by all Poles, liberals or not. But as long as the liberal intelligentsia is reluctant to turn its attention to the historical record and present role of the church, and as long as it refrains from courageously examining its own record, not much change can be expected. In a recent colloquium at Columbia University, Bronislaw Geremek, the chair of Solidarity in the Polish parliament, for years Solidarity's chief intellectual adviser, and a man who spent some of his childhood in the Warsaw Ghetto, urged his listeners not to be preoccupied so much with anti-Semitism in Poland.

Of course, Polish anti-Semitism today bears no comparison to its prewar version (where there were plenty of Jews to hound), nor certainly with the anti-Semitism of Nazi Germany (where there were enough Jews to kill). It is now a distinctively Polish issue. But this is small comfort for many of those, like myself, who would want to wish Poland well.□

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Jerry G. Watts

THE RACE PROBLEM AND "MORAL INNOCENCE"

In January 1988 *Commentary* magazine published an essay by a black professor of English at San Jose State University. "On Being Black and Middleclass" introduced Shelby Steele as a new interpreter of American race relations. Since then, Steele's work has appeared regularly in some of our most prominent intellectual journals. Steele appears on national television and is quoted widely in editorials. At the university where I worked, one of his essays was distributed by an administration in search of campus racial quietude.

Steele's recent visibility may have more to do with ideological "utility" than with the power of his arguments. He has captured attention for having successfully appealed to sentiments floating around in the popular mind. He has tapped into the enduring American ideology of individual achievement and self-sufficiency. Yet one cannot ignore the obvious. Much of his intellectual capital lies in his blackness. His lack of profundity is concealed by the novelty of his voice as a nonliberal black. It is probably for this reason that Steele has become the black intellectual-of-choice among neoconservatives and establishment liberals.

In *The Content of our Character*,* a collection of previously published essays, Steele states that the true source of trouble between whites and blacks is that "races are competing power groups." But unlike other students of racial conflict with similar assumptions, Steele informs us that the prize they compete for is neither wealth nor material power but "moral innocence." "The racial struggle in America," he argues, "has always been primarily a struggle for innocence." White racists created the idea of blacks as inferior in order to feel innocent (read: entitled) in their domination of blacks. Blacks, in making their case for their moral superiority, lay claim to an innocence that absolves them of guilt about their own plight. But meanwhile the lack of black guilt means relinquishing a sense of self-responsibility. At the same time, Steele depicts whites as mired in a pit of racial guilt toward blacks. This guilt stems from their knowledge of the treatment of blacks by their white ancestors. According to Steele, during the 1960s,

> whites lost some of their innocence and so lost a degree of power over blacks. Both races instinctively understand that to lose innocence is to lose power (in relation to each other). To be innocent someone else must feel guilty, a natural law that leads the races to forge their innocence on each other's backs. The inferiority of the black always makes the white man superior; the evil might of whites makes blacks good. *This pattern means that both races have a hidden investment in racism and racial disharmony despite their good intentions to the contrary.* (Emphasis added.)

To show how guilt and innocence control black-white relations, Steele invokes the policies of Ronald Reagan. Although Steele supported Reagan's attempt to end "racial quotas and any affirmative action that supersedes merit," he did object to Reagan's claims for moral innocence toward blacks. According to Steele, blacks sensed that Reagan was trying to deny their claims to innocence and therefore objected to his reasonable domestic policies. Ac-

* *The Content of our Character: A New Vision of Race in America*, by Shelby Steele. St. Martin's Press, 1990.

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cording to Steele, Reagan's "emphasis on traditional American values—individual initiative, self-sufficiency, strong families—offered . . . the most enduring solution to the demoralization and poverty that continue to widen the gap between blacks and whites in America."

As Steele sees it, the central problem for today's Afro-Americans lies in the fact that their historical oppression at the hands of previous generations of white racists has fueled a self-destructive quest for innocence. Worse still, this memory of oppression is invoked by blacks to explain their own inability to succeed in an age when racism is no longer a major handicap to black lives. But why, one may ask, do blacks relish this innocence? Steele claims that the answer lies in the peculiar way innocence entitles blacks to pursue power. Yet the peculiarity of this black entitlement to power "binds the victim to his victimization by linking his power to his status as victim:" The supposed tragic result of this is that blacks have experienced "twenty years of decline and demoralization, even as opportunities for blacks to better themselves have increased." Blacks, Steele notes, "are further behind whites today than before the victories of the civil rights movement." He concludes: "If conditions have worsened for most of us as racism has receded, then much of the problem must be of our own making."

Steele says that blacks cannot generally admit to their flight from responsibility, for they would then lose the sense of innocence they derive from victimization. Blacks, he writes, are now in a paradoxical position where taking responsibility for their lives is seen as nothing less than a capitulation to white power. A corollary argument that Steele repetitiously makes is that blacks invoke racism as the cause of their individual failures when in fact their personal incompetence is probably to blame. Essentially, blacks use the idea of racism as a therapeutic balm for their shortcomings. Worse, too many blacks don't try to better themselves precisely because they hold on to an outdated image of America as a racist country that denies blacks opportunity. Rather than risk their vulnerable identities in the American meritocratic contest for upward mobility, blacks engage in a "flight from opportunity."

According to Steele, this black self-defeatism has now been institutionalized in affirmative action policies. Affirmative action eliminates the need for blacks to excel. All one need do to benefit from such programs is to be black. However, the hidden consequences of these policies is an employment ceiling beyond which blacks cannot advance, a ceiling enforced by white employers who expect their upper-echelon managers to have earned their positions. In effect, affirmative action limits mobility. Further, blacks who benefit from affirmative action suffer doubt about the authenticity of their achievements. They cannot take pride in their achievements because they know that they have been unfairly favored. They wonder whether they are inferior.

The Content of our Character is an extraordinarily repetitious collection of essays. A reader can get the gist of Steele's arguments by reading one of the longer essays and skipping the rest. Yet each individual essay is well written. In an era when academicians find it difficult to convey ideas even to colleagues in the same discipline, the academic who writes for a general audience should be saluted.

What makes Steele even more enticing to a casual reader is the emotional undercurrent of his writings. His essays are all self-referential in a way that generates a sense of personal vulnerability. At a time when the "personal is political," self-referential writers are able to use their own life stories as the center point for the unfolding of history. Moreover, they do so in a manner that lures readers into believing that they are engaging in a more universalistic commentary than those offered by most autobiographies. Steele is a master of this genre.

Yet, the book is fundamentally flawed. It is riddled with illogical claims and factual misrepresentations. First and foremost, Steele's attempt to analyze black-white relations as a competition for moral innocence is utterly simplistic. He does not use the quest for innocence as a metaphor for the ideological underpinnings of black-white relations. Instead, he asserts that most blacks personally cherish a belief in their moral superiority vis-à-vis white Americans. This is news to me.

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Doesn't such an assertion require some mention of data? Do black Americans living in urban welfare hotels sit around at night claiming, "We may not have enough to eat but at least we're morally superior to white folks" or "I won't get a job because then we will have more to eat and a better place to live but in the process we will lose our innocence"?

Steele might want to claim that these views operate on the subconscious level. Still, to believe this, we would need some supporting data—perhaps from shrinks who service black people in welfare hotels. If, as Steele argues, the quest for moral innocence is the fundamental human drive, and moral innocence is derived from victimization, why do we not see a massive migration of affluent whites from Fairfield County to the South Bronx? Given the logic of Steele's argument that moral innocence is a form of power and that this power is greatest among the victimized, one is forced into dialectical frivolity: the powerless are the most powerful!

Steele believes that blacks spend too much time and energy remembering their historical oppression. This "memory of enemies" supposedly hinders blacks from taking advantage of present-day opportunities. But how strong is this black memory? Again, Steele sidesteps any question that demands knowledge greater than that provided by his intuition. For that matter, who has a bigger "memory of enemies" than some American Jews? Yet their memory certainly does not seem to have undermined their upward mobility.

According to Steele's logic, the struggle between David Rockefeller and a black street beggar is a struggle for moral innocence. Rockefeller wants people to think he is entitled to his power; thus he desires to be seen as innocent. The black street beggar wants passersby to feel guilty about his plight. Steele thinks that his discussion is evenhanded because he would be willing to argue that neither Rockefeller nor the beggar is more innocent than the other. As to the reasons behind the differences in their life-styles, Steele has little to say except to imply that Rockefeller may be driven by personal responsibility, while the black beggar is probably self-destructive. White beggars seem unexplainable.

Steele writes about race relations without *any* mention of political and economic structures. Ignoring the work of analysts like William J. Wilson, he doesn't have a clue as to the significance of status or class. That Steele and his black "yuppie" peers (called in the black community "buppies") have experienced "opportunity" supposedly proves the existence of opportunity for all blacks. Steele's dichotomy of it's either the fault of racism or of us indicates a mind incapable of complexity. He makes empirical claims about the entirety of black life using only his personal encounters as data base. It is incredible that an author can make statements about black life without providing a reference to any scholarly study. For instance, Steele asserts that on most American campuses today the children of black professional parents are offered scholarship monies not available to the children of working-class white parents. This was certainly not the case at Wesleyan University, where I have taught, nor at Harvard or Yale, where I was a student.

When talking about affirmative action, Steele would have us believe that blacks are overrunning white meritocratic institutions. But where on American campuses are black faculty roaming around in large numbers? Dartmouth? Berkeley? The University of Virginia? At present, the entire Harvard University Faculty of Arts and Sciences has only two tenured blacks—Orlando Patterson and Martin Kilson.

It is naïve for Steele to assume that prior to affirmative action the United States was a meritocracy for whites. Many white male faculty at the best of our universities were the beneficiaries of a racially and sexually restricted job market. Do these men question the validity of their achievements because of this "advantage"? Of course not. In fact, Steele wouldn't even mention this possibility, for the unstated racist corollary to Steele's arguments concerning contemporary black advantage is that earlier generations of blacks, had they been provided the opportunity, would not have been able to compete for these jobs anyway. And if black beneficiaries of affirmative action policies are so riddled with doubt, why don't they refuse to be beneficiaries? Interestingly, Steele condemns affirmative action and then proceeds to use the black mobility enabled by affirmative action as proof of the attenuation of racism.

Steele does not tell us why we should see his own racial anxieties as characteristic of all

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black life. His doubts become "our doubts"; his fears, "our fears." But then, it is essential to Steele's arguments that we see him as the typical black. Steele ultimately "essentializes" black Americans to such a degree that he allows for no diversity among us.

Though the book is written as if Steele is a personal voice from everyday black life, it is conspicuously aimed at white readers. But in pursuit of a white ear, Steele's critique of white America avoids sharpness. The fundamental premise of Steele's text is that whites have achieved the moral and cultural character that blacks need to acquire. Steele has written a praisesong for white America. He writes as if his white American readership has been exorcised of all remnants of racism. Well, Steele might admit, there are *some* racially parochial white people, but they are few and far between. It is not incidental that Steele can write, "As a black person you always hear about racists but rarely meet any." Perhaps this is a bad joke, but I think it is one step in a carefully orchestrated shuffle.

If there is a redeeming quality to Steele's book, it lies in its message to black middle-class readers. Blacks who do have opportunities may be inspired by Steele to confront some racially inspired personal doubts that have kept them from realizing their potential. Steele is quite perceptive about the racial angst present in certain sectors of the black middle class.

Within the black populace there are certainly underachievers, self-defeatists, victim-status pimps, and terrified loudmouths parading in militant garb. There are also many blacks in need of more moral autonomy. Yet its absence in some blacks does not account for the relative absence of autonomy among many blacks. Steele does not understand the distinction between feeling responsible for oneself and being able to realize a self-sufficient (nonwelfare) existence. The latter requires opportunity. It is shameful for Steele to write as if the key to alleviating the plight of the black lower class lies solely in self-help. When coupled with Steele's claim that Reagan's presidency offered a reasonable set of policy options toward the black poor, his book becomes appalling.

In some important respects, Steele's text reads like a modernized version of Booker T. Washington's *Up From Slavery*. Though their subtexts are the burden of American racism, both authors tend to highlight only those personal interactions with whites that were helpful along their journeys. Like Washington, Steele calls for blacks to relinquish political engagement in behalf of improving "the content of their characters." Whereas Washington wanted to use the passivity of blacks as a trade-off to obtain white philanthropic aid, Steele's agenda, if he has one, has not been articulated.

I know that I cannot undo Steele's attractiveness to many white Americans, for he touches deep ideological and psychological wellsprings. After all, Steele's nonsense found its way into the pages of this democratic socialist journal despite the fact that he wrote about the contemporary black plight with no reference to the political-economic contexts of black lives.

Steele's popularity rests on the fact that he allows whites to admit their frustration at the fact that the Negro problem just won't go away. After all these years, black folk continue to spend much of their time generating never-ending accusations and complaints. All the while—the feeling goes—they are robbing and raping, hooked on crack, producing unwanted babies, killing each other, and dancing on Soul Train rather than attending school. Black political leadership is generally mediocre and seemingly indifferent to the wrongs perpetrated by blacks on whites. Admittedly, dealing with the black problem might have frustrated even Francis of Assisi. And who is more frustrated with our problem than blacks themselves?

But when Steele says that it is paradoxical that twenty-five years after the civil rights movement, black conditions have worsened, we need only respond that five years after the 1963 March on Washington the federal government decided that black social inclusion would not be a national priority. Since the days of the Nixon presidency, America has steadfastly refused to tackle its racial problems. We may never solve them; and if we listen to Shelby Steele we may not even try. □

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Edward Broadbent

THOUGHTS OF A SOCIAL DEMOCRAT

A View from Canada

Following the collapse of the one-party dictatorships in Eastern Europe, much of the discussion about socialism and capitalism has had a surreal quality. There have been in most such discussions the unstated but related assumptions that all market systems must be capitalist and that socialism by definition excludes the presence of the morality of profit making.

However convenient these assumptions have been for Eastern communists and Western conservatives in their ideological wars, the sad fact is that they have shifted the discussion away from a fuller understanding of the profound changes in practice and thought that have taken place in major parts of Western society since the Russian revolution. In this paper I suggest that these assumptions, old and now recycled, are wrong. Just as the historical shift from the medieval period to its capitalist successor resulted in the retention of certain values and practices of the former, so, too, is the historical transformation of capitalism resulting in the retention of certain of its values and practices in a society that is otherwise quite different.

To miss the differences and to neglect the similarities is to fail utterly to understand social democracy and the prospects of its future for human liberty. Let me put it a different way. Just as there are gradations in the development of democracy that entitle us to say some countries are more democratic than others, so too are there gradations in socialism that entitle us to say some nations are more socialist than others.

A defining characteristic of capitalism is the classical set of unilateral legal powers of the owners or managers of large enterprises. Workers in Sweden and other welfare states, through their unions and their governments, have already seriously transformed these powers to a considerable extent. I think of obvious but important matters such as wages, work conditions, and retraining programs. Via the democratic state, major changes have been made in society. These include tough regulations on the environment, affirmative action programs, mandatory paid vacations, and universal health, education, and child-care programs.

All such curtailment of management's prerogatives and restrictions on the role of the market have produced a major expansion in the capacity of working families to shape their own destinies. These positive changes have added to the range of democratic freedoms they have also achieved in the civil domain. The majority in such societies are less alienated; they do have more freedom.

It is clear that the next general line of the expansion of the capacity for men and women to control their own destinies—required by both socialism and democracy—should include an effective say, direct or indirect through delegation, in the remaining key prerogative of management: control of major new investment decisions.

A variety of options for such workers' participation is now available both in theory and practice. And while the appropriate means for implementation will vary from country to country as determined by working people themselves and in accord with their own national traditions, there can be no doubt that for reform to be socialist in nature this is the

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direction for the future. Private ownership of the means of production was and is alienating in capitalist society to the degree that it entails undemocratic power over other people's lives. Power, however, can be radically democratized without abolishing the deed of ownership. Indeed, "state" ownership has usually meant that workers have been as effectively removed from decision-making powers as they ever were in traditional capitalist economies. This has been obvious in the undemocratic Soviet tradition. It has been less obvious but equally true in the state-owned enterprises in Western democracies.

Some have argued that social democratic welfare states have not removed the necessity for performing unwelcome work, which would be a socialist principle. About this, I would make two points. It is true that in the early days of socialism it was believed by a number of theorists, though not by many workers, that all forms of disagreeable labor could eventually be dispensed with, given the immense potential of higher, state-guided productivity. However, since the 1950s at least, the "withering away of all drudgery" has been seen by most socialists as the intellectual equivalent of the "withering away of the state," that is, there is no good reason based on empirical knowledge in either sociology or economics to believe it is possible.

Although much drudgery has been removed by having machines do what was once done by humans and by increased worker participation at the work site, not only have some new forms of drudgery been introduced, but also, no matter how much the workplace is democratized, some drudgery will inevitably remain in any real society.

My second point concerns the assertion that in social democracies such as Sweden the public sector simply produces the amenities needed in a capitalist economy, not those of a socialist society. It seems to me this claim presupposes that a market economy and socialism are mutually exclusive. I don't agree.

There are capitalist market economies and there are socialist market economies. The latter are those in which the majority of goods and services—as in capitalism—are produced by a market mechanism but where government and workers' associations ensure that many services and some goods are taken for both production and allocation purposes either substantially or totally out of the market.

The power and legitimacy of democratic political institutions in welfare states have been used to ensure that certain nonmarketable values and benefits not only survive but thrive in a society and economy that is otherwise market-driven. This has been done not simply to ensure that certain amenities would be available. Rather, there has been a conscious effort by social democratic governments and by governments subject to social democratic pressure to ensure that a range of goods and services is universally available to its citizen qua citizens, that is, on the basis of equality grounded on equal entitlement, not on the unequal basis of the market. This is in marked contrast to non–social democratic societies like the United States, where social programs on unequal quality are set up for targeted groups who are perceived to have failed "to succeed" in the system. In key social services, where democratic capitalism presupposes inequality produced by the market, social democracy presupposes equality guaranteed by the state.

Governments in any socialist state should ensure that all citizens have equal access to medical service, education throughout life, child care, clean streets, attractive parks, healthy forests, mountains and lakes for recreation. The democratic state should be used to ensure equal non–market-based access to the above list (as a rule, when restrictions in number are needed, for example, for access to skiing or for other recreational purposes, the price mechanism should not be used). In addition, compensatory direct legal action in the domain of market-produced goods and services is also needed to ensure effective equality in terms of access to work for women, the poor, and a great many minorities. This too constitutes a direct restriction of traditional capitalist market forces and traditional management's power to decide.

Finally, in order to avoid the philistinism of a life completely shaped by market forces, governments ought to play a major but indirect role in the financing of the arts. Apart from the United States, this idea has had widespread

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support in almost every society, capitalist or otherwise, from antiquity to the present.

Perhaps the most distinguishing feature of capitalism, historic and modern, has been the relentless drive of capital or profit to sustain and exceed itself ad infinitum. In the evolution from medieval society, the making of profit shifted at a certain point from being a marginal and negatively regarded aspect of society to being pervasive. This transition was accompanied by a parallel development in Christian theology. When theologians ceased condemning the pursuit of profit as a sin and started to describe such market activity as a normal and, within limits, an acceptable mode of behavior, capitalist relations had finally triumphed. Ever since, bourgeois life has constituted both a kind of economic activity and a certain kind of culture, a good part of whose ideology has been devoted to giving moral legitimacy to capitalism.

However, along with the development of modern capitalism and its leading ideological supporters—the middle class—was the simultaneous growth in the West of a large industrial working class, which produced not only its own solidarity-based union movement but also democracy itself. The mass-based socialist parties that were created to serve these ends were, of course, critical of capitalism. They were not, however, critical of all aspects of capitalism.

Although it is true that in the nineteenth century most intellectuals ranging from socialists to liberals like John Stuart Mill condemned the consuming culture of capitalism (R. H. Tawney's "acquisitive society" and C.B. Macpherson's "possessive individualism" are brilliant twentieth-century examples), this has not been true of the working class, including those who constitute the main body of the socialist movement, either in the past or today. Workers, historic and modern, have welcomed the opportunity for access to goods that once were not available or were available only to those with much greater wealth.

The same workers and their leaders not only helped to create the world's first democratic societies as a result of often violent struggle but in changing the operation of capitalist market economies, social democratic parties and governments have gone well beyond what was deemed to have been possible not only by Marx but by Keynes.

In advanced welfare states they have used their democratic power to modify or transform everything about the capitalist economy but what some see as its essence: the unleashing of "greed" (the medieval world) or "profit maximization" (the modern description) to produce a superabundance of goods and services. As Orwell understood, working families desire at any stage in history what many of their "betters" take for granted but claim to find morally offensive. By accepting in modified form the significant role of personal gain or profit in creating goods and services, they have not, I believe, simply preserved capitalism but have made it something quite different. In using its democratic power in the workplace and in civil society, the social democratic movement has made a qualitative improvement in so many aspects of life that contemporary welfare states are much more advanced with regard to human liberty in all its dimensions than is the United States with its democratic capitalism.

It seems to me time for socialist intellectuals finally to accept the desire for personal economic benefit as a given element in all human nature but dominant in some only. Linked economically with profit, it can be harnessed to achieve socialist goals.

The contrary proposition—that socialism must entail the elimination of desire for personal economic gain—is unsustainable, either as an empirical description or in its milder form, as a desirable goal. Fidel Castro's deeply entrenched "medieval" morality lies behind his antipathy to personal economic gain in any form. I believe this attitude accounts for much of his economic problem and his restrictive approach to human rights. "Moral incentives" as the driving force in an economy have never been sufficient to produce beyond the subsistence level. Why believe they ever will? And can human beings flourish in the development

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of their capacities and talents while living at a subsistence level? No.

The transition from the medieval to the capitalist period entailed a change in society from one in which the human propensity for self-benefit in the form of profit was condemned and repressed to one in which it was exalted. What is now needed is a further modification in which this attribute is both curtailed and rechanneled but not totally repressed. Does a socialist society presuppose we must all like the personal qualities in all other citizens? Does it presuppose that entrepreneurial personalities cannot by definition be good citizens in a socialist state? I think the answer to both questions is no.

Just as philosophy or ideology played a key role in the first transition, so too it must now. I remain convinced that sustained social democratic leadership can persuade majorities to modify their behavior. Majoritarian support for tough measures to protect the environment, redress the concerns of indigenous people, yes, even favor trains over cars—all in degrees of emphasis, not as an absolute, is evidence of this. The majoritarian "followers" often run ahead of their government in demonstrating the continuing relevance of non–consumption-oriented values even in market-driven societies. The same leadership should make it clear that in a socialist society an element of personal gain will continue to play a vital role in economic activity. Socialism can emerge in the twenty-first century, not from the ashes of this century's abomination known as Leninism, but as the incremental outgrowth of the social democracy we now see in Northern Europe and elsewhere. With its elements of human rights, equality, democratic power, and, yes, degrees of materialism, it is good and defensible.

Maybe Sweden is even now sufficiently different to be called "socialist." I think not. However, as with the idea of democracy itself, any "real" socialism will always be improvable. Liberty, equality, and community are, after all, highly desirable but ultimately unrealizable goals. This is true, in part, because they are platonic absolutes ever exceeding our grasp. Rejecting a heaven after death, most of us have taken our stand to do our best in applying its norms to the here and now. It is true also because any real socialist society will have within it conflicting claims of equal moral legitimacy that cannot be simultaneously addressed: more money for child care or schools or the environment or for investment?

Yes, at a given time some socialist nations will be predominantly "pragmatic" and "comfort-minded" but nonetheless socialist because of this. There will, however, always be socialists as well as other in such societies who will decry such complacency and boredom and look for ways of making things more engaged and exciting. Socialism, like democracy, constitutes both a kind of realizable society different from capitalism and as a set of guiding principles.

It will have imperfections. But we must stop expecting more of socialism than it can ever deliver and more than its working-class base ever expected. We now understand there are human sources of boredom and even profound unhappiness that no form of society can eradicate. This must not deter us from attacking with passion all those real and pressing injustices associated with the maldistribution of power and income that can be eradicated. Nor should we fail to see that, in some parts of the world, capitalist market societies have already been transformed. □

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Tadeusz Kowalik

OSKAR LANGE'S MARKET SOCIALISM

The Story of an Intellectual-Political Career

Oscar Lange is known in the West, above all, as the author of the classical and widely criticized model of market socialism. An enormous amount has been written about this model, some of it developing Lange's idea and much of it criticizing its weaknesses. This article is concerned not so much with the systematic exposition and criticism of Lange's model as with discussing the place it occupied in the development of his views on socialism.

During his lifetime, Lange was able to observe firsthand all three of the worlds that currently coexist on this planet, and he encountered these worlds in the same order in which they follow each other in his scheme of the development of the modern world. Lange learned about economic backwardness and peripheral capitalism in prewar Poland. Later he spent more than twenty years in the bastion of modern capitalism, the United States. After returning to Poland in 1948, he linked his fate to the creation and then reform of the communist system.

The Polish Background

Lange grew up in the western part of the region that had been partitioned by Russia. His father came from a family of assimilated German industrialists who had settled in Poland at the beginning of the nineteenth century and personified the "enclave" capitalism of a backward country. He produced largely for distant eastern markets, and when access to these was cut off, the Lange family became impoverished.

When Poland regained its independence in 1918, the fourteen-year-old Oscar underwent his own baptism of fire. He joined a band of youths who seized weapons from soldiers of the retreating German army. Two years later, during the Polish-Russian war, he signed up for an alternative to military service. It is worth recalling these symbolic events, because they typify the early road taken by many Poles who invested so much hope in the newly independent Poland and then were so sorely disappointed. Lange's preoccupation with unresolved social issues, his turn to socialism—first in its reformist and pacifist form and then its revolutionary version—reflected broader processes of radicalization in a country condemned to stagnation.

Prewar Poland was not simply a backward or, in the terminology of the United Nations, a developing country. Ludwik Landau, in his book *Gospodarka Swiatowa* (*The World Economy*), published in 1939, counted Poland among the "partly capitalist" countries. He thus situated Poland between such countries as Spain, Hungary, and Argentina, whose per capita national income was greater, and countries that were less developed, such as Romania, Yugoslavia, Bulgaria, and Greece. As a result of the Great Depression, Poland's many problems came to form a "trap" or "vicious circle" of backwardness. The main problems were the semifeudal structure of agriculture, with its latifundia on the one hand

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and the hidden unemployment of many millions on the other; the prominent role of foreign capital, which had little interest in developing domestic manufacturing industry; the preponderance of raw-material exports; and the absence of an entrepreneurial middle class.

Lange saw the main causes of Poland's economic stagnation in the growing role of monopolies in the world economy. It was this that had brought about the Great Depression, exacerbating negative tendencies and conserving backwardness. To Lange, it seemed that the only effective solution lay in the revolutionary overthrow of capitalism and the construction of a socialist system. Only such a radical change appeared to offer an effective means of eliminating poverty and backwardness.

This revolutionary message was set out in a collective book, *Gospodarka—Polityka—Taktyka—Organizacja Socjalizmu* (*The Economics, Politics, Tactics, and Organization of Socialism*), published in 1934 and edited by Lange. This work sets out Lange's first vision of a socialist economy that would constitute an alternative to both capitalism and "state socialism" of the Soviet kind. A section of the book subtitled "The Road to a Planned Socialist Economy" was written by Lange together with Marek Breit, a brilliant young economist murdered by the Nazis. The proposals for a transition period, as well as the organization and functioning of a socialist economy, set out in this section foreshadowed Lange's classic work on socialism.

This early work clearly reveals Lange's basic characteristics as a socialist thinker. To Lange, socialism was not simply the negation of capitalism but also its continuation—something that is often distorted by the revolutionary language of much propagandistic writing. At the heart of Lange's views is the conviction that, by introducing fascism (which Lange considered genetically linked to monopolies and imperialism), the bourgeoisie was renouncing political democracy. Similarly, the growth of economic monopolies had destroyed the market and free competition. Thus, the task of socialism as a social movement was to salvage and broaden the scope of democracy and competition. Despite, then, the reference to a "planned economy" in the title and the terminology used in the text, it was not central planning but market competition that was to be the basis of the future economy.

If we compare the early Lange-Breit model with the Hungarian reform model of 1968, the radicalism of the former's approach to the market and the caution of the latter's approach to planning is immediately evident. At first glance, the Lange-Breit model seems similar to the Hungarian model of planning with the aid of financial parameters. In the Lange-Breit model, the central planning institution was to be the public bank. The bank was to determine the rate of accumulation and was to appropriate and allocate investment resources between individual enterprises and their associations (trusts). It was also to have the power to close inefficient enterprises and to transfer their assets to more efficient competitors and to check whether enterprises and trusts were employing "strict cost accounting."

The similarity with the Hungarian model is, though, of a purely formal nature, because the criteria governing the behavior of the central planners in the two systems were quite different, if not antithetical. In the Hungarian model, the center had the power to decide the scale of investment and to determine most prices on the basis of its own preferences. On the other hand, the public bank in the Lange-Breit model had no price-setting powers whatsoever, not even in relation to capital goods. All prices were to be determined by the market. Similarly, investment resources were to be allocated not according to the preferences of the center but according to market forces generated by the needs of consumers. The bank was simply supposed to "serve" the market.

Realizing that a monopolistic economy, and with it the artificial escalation of prices and wages, might reemerge, Lange and Breit proposed that the state oblige enterprises to employ all those who applied for work. The ensuing growth in output would bring down prices and, as a result, wages. The public bank would be obliged to provide investment loans to enterprises if warranted by the growth in employment.

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> In this way [the authors declared] there will be no room for the arbitrariness in investment policy. It will be based on a specific and automatic indicator of intensity of demand for individual commodities. The Public Bank will not be able to depart from these principles. This will ensure that the socialist economy will produce goods according to intensity of demand.

The impracticality of this "practical" proposal is so obvious that any detailed criticism is superfluous. It is worth, however, noting the authors' intention, their effort to retain a commodity and labor market in the strict institutional sense such that the entire economy, including the investment process, would operate according to automatic, and thus objective, market mechanisms reflecting the intensity of consumer needs.

The Lange-Breit model differs from the Hungarian also in the demand that the entire organizational structure of the economy be based on a "system of workers' councils" from top to bottom (in other words, it would include a Chamber of Self-Management Representatives in the parliament). This was to constitute an effective antidote to the dangers of bureaucratization.

In Hungary the absence of such a countervailing force to the bureaucracy led to the transformation of the "new economic mechanism" into a system of indirect centralization, in which spontaneous market mechanisms were crushed by intervention in enterprise activity on the part of bureaucrats at all levels. Comparing the functioning of the Hungarian economy with the assumptions underlying the reform and with the vision of market socialism, Janos Kornai recently wrote:

> Power creates the irresistible temptation to make use of it. A bureaucrat must be interventionist because that is his role in society; it is dictated by his situation. What is now happening in Hungary with respect to detailed microregulation is not an accident. It is rather the predictable, self-evident result of the mere existence of a huge and powerful bureaucracy. An inherent tendency to recentralization prevails.[1]

In Lange's model, the workers' councils were intended to limit the power of the bureaucracy, to counteract what another Hungarian economist, Laszlo Antal, has called the "illusion of regulation."

The Lange-Breit approach bears some similarity to the Yugoslav model of a labor-managed market economy, a model that has its strong and weak points. Without engaging in discussion of whether workers' self-management is compatible with a high level of economic efficiency, we should take note of one danger, which has made itself felt with full force in Yugoslavia. Lange and his colleagues advocated, as did the Yugoslavs much later, a uniform system of self-management. Inherent in this model is the very real possibility that workers' councils will become bureaucratized as the result of a low level of social participation and lack of competence.

To sum up, Lange and his colleagues believed that this model of a socialist economy would be superior to the capitalist economy of the Great Depression (which would not have been difficult) and would avoid all the obvious defects of the Soviet economy. They considered that the latter was based largely on popular enthusiasm and on appeals from the leadership, which did not hold out the prospect of efficient functioning in the long run. This is what they wrote about the Soviet Union:

> We view the cultural and moral might of the Russian peasant and worker revolution with enormous admiration. . . . But we should remember that, in the long run, socialism will take root only if it manages to transcend its moral achievements to show that its economy functions better than capitalism.

Elsewhere they wrote, in a similar vein: "If the socialist economy does not fulfill the hopes invested in it, then indeed it will not be worth the toil and sacrifice that the working masses have endured in the struggle to achieve it."

Lange's Model

Lange published *On the Economic Theory of Socialism* in 1936, only two years after arriving in the United States. Thus, although his studies in the States had a substantial influence on his conceptual framework, his views on social issues were those that had been formed earlier, in Eastern Europe. In all its major points,

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including the call for revolution, this famous work continues themes developed earlier. It can thus be taken as the starting point of Lange's "American evolution."

Here it is worth recalling the main features of Lange's model. In its organization, the socialist economy was to be extremely simple. For simplicity, Lange assumed the existence of a public sector alone and ignored the private sector. The public sector itself was conceived as a system of three levels: industrial enterprises, branch associations in the form of industry trusts, and a central planning board. Economic management was to be separated from the political apparatus of the state. Enterprises and trusts were to be directed by "public officials" subject to "democratically organized control." A Supreme Economic Court was to supervise the entire economy to ensure that it functioned in accordance with the public interest.

The actual functioning of the future economy was to be equally simple and intelligible. It was based on the coexistence of two markets—a real market in the institutional sense and a market simulated by the central planning board. This combination was intended to provide free choice in consumption and occupation and also to make enterprises largely autonomous. Prices of consumer goods and wages were to be freely determined by the market, while prices of capital goods were to be set by the central planning board. The central planners were also to ensure that enterprises and trusts followed two rules: they were to choose factors of production in such a way that average costs were at the lowest possible level, and they were to set the volume of output in the industry as a whole at a level where marginal cost was equal to price. The first of these two rules was designed to help eliminate less effective alternatives; the latter was envisaged as a substitute for the free-entry rule in a private, competitive economy. Both were to function as substitutes for profit maximization. The central planning board was to use interest rates to determine the amount of national income to be allocated to accumulation.

Leaving aside the numerous interpretations of this model, many of them highly critical, it should be noted that Lange's classical model has most often been challenged on account of its lack of realism. Critics have doubted that production managers would keep to the two chief rules unless the central planning board had some means of forcing them to do so. On this issue, liberals and socialists have been in agreement. Referring to the trial-and-error method of simulating a capital-goods market, socialists have usually attacked Lange's model on the grounds that it abandons planning. Liberals, on the other hand, have argued that the central planning board would get bogged down in red tape and would be unable to react quickly enough to market signals, and that the economy would thus become too rigid.

In the second half of the book, Lange anticipated some of the criticisms that would later be directed at his work. For example, he wrote: "The real danger of socialism is that of the bureaucratization of economic life and not the impossibility of coping with the problem of resources."[2] He considered his own model of socialism also open to such danger, although less so than the centralized models. Comparing this aspect of his socialist model with the capitalism of large corporations, he added that the latter was open to the same or even greater danger and that "officials subject to democratic control seem preferable to private corporation executives who practically are responsible to nobody." Kornai is unjust, then, when he writes that the Lange of the thirties "lived in a sterile world of Walrasian pure theory and did not consider the socio-political underpinning of his basic assumptions."[3]

It is, however, a fact that Lange underestimated at that time the scale of the perceived danger and that it was precisely this danger that made the issue of the allocation of resources such a horrendously difficult problem. These are not two separate issues but two aspects of the same problem.

The basic weakness of both the Lange-Breit model and Lange's model is their static character. The person who summed this up most concisely was Lange's teacher at Harvard, Joseph Schumpeter: " A system . . . that at every given point of time fully utilizes its

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possibilities to the best advantage may yet in the long run be inferior to a system that does so at no given point in time, because the latter's failure to do so may be a condition for the level or speed of long-run performance."[4] Further: "The problem that is usually being visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them. As long as this is not recognized, the investigator does a meaningless job."[5]

Lange touched on this problem. He was on the right track when he wrote:

> The really important point in discussing the economic merits of socialism is not that of comparing the equilibrium position of a socialist and capitalist economy with respect to social welfare. Interesting as such a comparison is for the economic theorist, it is not the real issue in the discussion of socialism. The real issue is whether the further maintenance of the capitalist system is compatible with economic progress.[6]

Not only was Lange too pessimistic regarding the future of capitalism (in this he followed the example of his teacher), but, even worse, he did not raise the same question regarding the possibility of technical and economic progress in a socialist economy. It should be remembered, however, that Lange was dissatisfied with this work, and the subsequent evolution of his views led to his dramatic disavowal of the study that earned him world fame. Papers published after his death reveal the following story.

In early 1945 the University of Minnesota Press suggested publishing *On the Economic Theory of Socialism* in an updated version, together with several other essays. The first edition was no longer available; demand for the work remained high, as it was required reading for many college courses; and, the publishers argued, a new edition would afford Lange an opportunity to discuss Hayek's controversial work, *The Road to Serfdom*.

At first, Lange accepted the offer, promising to rewrite two chapters and add one on full employment. However, a couple of weeks later he sent the publishers the following letter:

> The essay is so far removed from what I would write on the subject today that I am afraid any revision would produce a very poor compromise, unrepresentative of my thoughts. Thus, I am inclined to let the essay go out of print and to express my views in a completely new form. I am writing a book on economic theory in which a chapter will be devoted to this subject. This may be better than trying to rehash old stuff.[7]

It is baffling, then, that the surviving list of fifteen chapters of the book that he then began to write contains not a single chapter entitled "socialism" or "the socialist economy." What was it that caused Lange to consider his classical work "old stuff"?

Toward the Model of a Mixed Economy

Probably the most important factor that caused him to change his views was his encounter with America. Lange's time in the United States coincided with the four-term presidency of Franklin D. Roosevelt. While fascism and war raged across Europe, the United States underwent an unusual spiritual and economic renaissance. This spiritual revival was partly due to the fact that during the period of the New Deal the United States provided a haven for political refugees from Europe. These refugees, including many Poles, found not only material financial support but also a place for social and political activity. The new immigrants contributed not only to American industry, particularly the military sector, not only to science and technology, but also to intellectual life, to which they brought many new ideas and proposals for reforms. Lange called the United States at that time "the arsenal of democracy."

Lange's entire life was an exceptionally productive one, but his years in the United States were particularly rich in scholarly and sociopolitical activities. Not only did he make a rapid academic career for himself, but he immediately joined the struggle to restrict the economic and social might of large corporations, to make the New Deal program more coherent and long-lasting, and to broaden and secure the economic basis of democracy. Lange saw the New Deal as the beginning of a permanent policy of full employment. It was from this perspective that he viewed also the problem of mobilizing the American economy

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for the needs of war and its subsequent transformation to meet the needs of peacetime.

At the same time, Lange implicitly abandoned—at least in relation to the United States—his views of the 1930s regarding the unreformability of capitalism. His former argument for the overthrow of this system thus lost its validity, and socialism began to appear as a distant result of an evolutionary process. In a book that Lange wrote with Abe Lerner, *The American Way of Doing Business* (1944), all references to socialism were reduced to demands for the socialization of the largest corporations and for policies that would increase social welfare.

In an article entitled *Ekonomiczne podstawy demokracji w Polsce* (*The Economic Foundations of Democracy in Poland*), written in 1943, Lange's previous vision of a socialism that accorded a dominant, and eventually exclusive, role to public ownership was replaced by one that envisaged the socialization of large-scale industry only. Both medium- and small-scale industry were to remain in private hands, and the maintenance of such a structure of ownership was to be one of the goals of the state's credit policy. Lange argued for such a combination of ownership forms on the grounds that it would contribute both to democracy (the diffusion of ownership and thus of economic power) and to economic efficiency. The private sector, he wrote, gives the entire economy "a pliability and flexibility as well as an adaptive capability that private initiative alone can give."[8]

In many of his writings, Lange expressed his concern to reduce further the scope of central administrative intervention in the economy. He abandoned the demand contained in his model that the center be free to set the rate of accumulation. In a letter responding to criticism voiced by Hayek (1940), Lange wrote that his suggestion to empower the central planning board to fix capital-goods prices had been a methodological trick rather than a practical demand. In actual practice, said Lange, he would recommend free price-setting by the market wherever possible (where nonoligopolistic markets existed). He promised to explain this in an article that he planned to write but never did. In a series of public lectures entitled "On the Economic Operation of a Socialist Society," given in 1942,[9] Lange implicitly abandoned the idea of the state setting capital-goods prices, an idea that many of his critics considered to be the essence of his model.

In general, then, it can be said that Lange's initial sharp distinction between socialist and capitalist economies was subsequently eroded. Lange prepared the theoretical ground for the concept of the convergence of the two systems long before this concept became commonplace.

The Central Planner and the Reformer

In the West, and more recently in Poland, the following question is frequently asked: how was it possible that one of the founders of neoclassic economics and what is commonly called the Keynesian revolution, an advocate of market socialism with a highly limited role for the socialized sector, a socialist who strongly emphasized the need for, and the dangers to, freedom, could return to a country governed by communists who wielded power on behalf of Moscow? Why did this liberal socialist support a communist regime, why did he contribute to the creation of central planning in its Soviet version, why did he become one of its theoreticians, and why did he subsequently try to reform it, albeit in a direction far removed from his earlier radical ideas?

Without considering all aspects of this question, I would draw attention to the most important ideas that inclined Lange to such cooperation. Let us try to answer the question of how he reconciled his economic views with his participation in a communist system.

There are grounds for believing that, initially at least, Lange was convinced that Soviet communism was undergoing a profound transformation toward the kind of system that he advocated. To use the language of today, it could be said that Lange already then perceived the social-democratization of communism. He expressed such views in the course of a dispute with Paul Sweezy in 1943 (Lange's letters to Sweezy were published only in Polish translation in the seventies, in his *Works*). Lange wrote that the program of the Union of Polish Patriots in the USSR (which subsequently

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created the postwar communist regime in Poland) had abandoned all Marxist terminology. The program attacked monopolies rather than private property as such, it demanded the transfer of power to "the people" rather than the working class, it stressed the need for continuity in culture, and so on. In the Soviet Union itself, the war was leading to similar processes. In Lange's view, these corresponded to the changes taking place in the West, where fascism and monopoly capitalism had eliminated the division between the working class and the peasantry on the one hand and the lower strata of the middle classes on the other and where all were now united in the struggle against imperialism.

Lange viewed the administrative system of economic planning and management in the Soviet Union as the result of the economy's subordination to political goals—the waging of war on two fronts: war against imperialism and civil war against technological and economic backwardness. Defining the Soviet economy as a kind of war economy, Lange believed that after winning both wars, and given conditions of international peace and cooperation, the Soviet Union would abandon administrative coercion in favor of an economy based on market mechanisms.

It was this conviction that determined his attitude toward the Soviet Union. Lange liked to say that he had never been a communist and that, like the Mensheviks, he had no illusions that the Bolsheviks would construct socialism. But this did not prevent him from recognizing that the Soviet Union might develop toward democracy and socialism in the future.

Lange did not exclude the possibility that the Stalinist regime would degenerate further if the international situation obliged the Soviet Union to continue arming itself and to engage in forced industrialization based entirely on its own resources. Nevertheless, he saw his mission as being to promote rapprochement in the postwar era and thus to increase the possibilities for democratic development in the Soviet Union. This is what he told his colleagues at the University of Chicago when they urged him not to abandon his academic career for a diplomatic one. He added that he knew both worlds better than most people and could help to build bridges in troubled times. Of course, he was not certain that he was right. Sometimes he linked his fate to socialist revolution in the West. (When Lange returned to Poland he is supposed to have told a friend: "Either there will be revolution in the West or I shall end up in Siberia.")

More often, however, Lange expressed the hope that restrictions on Poland's independence imposed by Moscow would be confined largely to foreign policy and that the country would have substantial freedom in domestic affairs. He took at face value Stalin's assurance that he wanted a strong and independent Poland. In the immediate postwar period, a number of factors seemed to confirm such hopes. The Polish road to socialism, proclaimed by the communists, involved a limited political pluralism. Other political parties were allowed to function, including the Polish Socialist party, with Lange as one of its ideologists. Lange entertained similar hopes in 1946–1947, although by then such hopes were certainly growing fainter. He published his antistatist program for a mixed economy with limited socialization of industry, and he cooperated in preparing for publication a Polish version of his book *On the Economic Theory of Socialism* (which did not actually appear until the beginning of the 1960s).

Lange's real drama began (or perhaps only then revealed itself) several months after his return to Poland from New York, in 1948 where he had served as Poland's temporary representative to the United Nations Security Council. This was a year in which there was mounting evidence of the increasing Sovietization and Stalinization of Eastern and Central Europe. In the economy, this was signalled by the program of forced industrialization and militarization, by the collectivization of agriculture, and by the shift to highly centralized planning. All possibilities for a mixed economy with a limited role for central planning were eradicated. For Lange this was undoubtedly a personal catastrophe. But he continued to cooperate with the communists; he was a member of the party leadership, a member of parliament, and the rector of the most important higher educational institution in the field of

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economics. In all these positions, however, "he ruled but did not govern." This was the case, for example, with his presidency of the Central Cooperative Union, a position that he held at a time when the cooperative movement was completely subordinate to the state administration.

The communists frequently made use of Lange's international prestige to lend luster to various propaganda exercises. The greatest of these was the International Conference on Economic Cooperation, which Lange organized in Moscow in 1952, at the height of the cold war. One of the strangest of Lange's acts, and one of the hardest to explain, was his apologetic writing about Stalin's pamphlet, *On the Economic Problems of Socialism in the USSR*.

It is difficult to explain Lange's cooperation with the communists during their worst period. Numerous factors were at work. One of these was purely human—Lange's fear for his own life. When I asked him once why he had written those apologias for Stalin, Lange replied indirectly: in 1953 he had sent greetings to a foreign friend who had inquired through an intermediary, "Is Lange still alive?" But this was clearly only part of the explanation. Lange had certain intellectual reasons for considering cooperation with the communists worthwhile.

Lange thought that the Soviet Union, although politically repugnant, constituted an effective system for economic modernization. Eventually there would emerge a modern society with a rapidly changing social structure. Stalinism would thus dig its own grave by giving birth to social forces that would destroy the dictatorship of the bureaucracy and democratize the system. Forced industrialization, together with the revolution in education, would create a new working class and "socialist intelligentsia." These two social forces would adapt the authoritarian superstructure to the demands of modern forces of production. Events in the Soviet Union following the death of Stalin and in Poland after 1956 seemed to confirm Lange's theory (which he derived from the work of the Austrian social democrat Otto Bauer). Thus, shortly after Khrushchev's speech denouncing Stalin and the workers' revolt in Poznan, Lange began to play a major role in the reform movement. He became the revisionists' idol, proclaiming the need for democratization and economic decentralization.

It is interesting that he did not, however, return to his idea of market socialism. In renouncing his earlier work, he went so far as to forbid its publication in Polish. In private conversations he justified this on the grounds that he did not want to lend his support to proponents of "socialist laissez-faire."

It seems to me that there were two major reasons for his rejection of his previous model. First, Lange had come to the conclusion that the visions of would-be reformers are worth little when compared with social experience. Asked in 1956 to say "How I See the Polish Economic Model" (the title of one of his most programmatic statements during this period), he stated:

> It cannot be formulated from above or worked out at a conference table. It stems from the great movement toward socialist democracy, which has permeated the country, from the setting up of workers' self-management, from the renewal of the self-governing cooperative movement, from the search for new forms of self-management and of social initiative among farmers.[10]

Second, there was a theoretical reason for Lange's change of mind. His own observations and studies had brought him to the belief that the market should be subject to debureaucratized and scientifically based central planning; that market mechanisms ought to be a tool in the hands of central planners and that their operation should be subordinated to the need to determine consciously the direction of economic development; that decisions concerning the scale of investment and even the level of many prices ought to belong to the central planners. Lange's proposals for economic reform can be summed up as central planning plus decentralized management.

In line with this approach, Lange's chief concern became to "enlighten" central planners, to equip them with modern tools of analysis, forecasting, and planning. This was the main thrust of all his works at this time (with the exception of his *Ekonomia polityczna* [*Political Economy*]), such as *Wstep do*

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ekonometrii (*Introduction to Econometrics*), *Optymalne decyze* (*Optimal Decision Making*), and *Wstep do cybernetyki eknomicznej* (*An Introduction to Economic Cybernetics*). In the last ten years of his life Lange was fascinated by what Benjamin Ward has so accurately termed the "formalist revolution" and Egon Neuberger "computopia." This fascination, expressed in his definition of the market as a calculating machine of the pre-electronic era, was all the stranger in that Lange perceived with ever increasing clarity the emergence of social processes leading to long-term stagnation. He attributed these, however, to the backwardness of the Polish ruling group and not to deeper systemic factors inherent in the very concept of central planning in conditions of a highly developed system of needs and division of labor.

Utopia or Missed Opportunity?

Let us try to answer this question as briefly as possible. With one exception (about which more below), none of the countries in Eastern Europe adopted the model of market socialism to the extent necessary to allow us to say that it has been tested in practice. Hungarian economists (especially Janos Kornai) have shown that even in the best period of the Hungarian reform of 1968, market mechanisms were more a passive than an active tool of the central planning agency and were subordinated to its preferences. Polish reform efforts were even further removed from Lange's model.

Some people consider the Yugoslav model an exception (although Yugoslav economists claim that it was conceived without reference to or even knowledge of Lange's model and others similar to it). There is some truth to this assertion, given the Yugoslavs' far-reaching decentralization, reduction in the role of central planning, and reliance on self-management, to which Lange attached great importance.

In my opinion, the failure of the Yugoslav model cannot be taken as proof of the failure of the very concept of market socialism. The model contains many other defects of far greater significance than the conceptual defects of Lange's model, and it was these that led to the failure of this system. Two of them are of particular significance. After 1965, economic decentralization and the abandonment of macro-economic policy went beyond the bounds of rationality in Yugoslavia. To many Western specialists, Yugoslavia is more reminiscent of "the type of liberal market economy envisioned by Adam Smith than is the case in any country of Western Europe."[11] This is inconsistent with Lange's model, which is based, as we have seen, on a combination of "visible and invisible hands."

Second, it is difficult to reconcile either market mechanisms or self-management with the leading role of the Communist party. Party officials have intervened in both these institutions so frequently and to such a degree that "political investment" and "political prices" have become common phenomena. Lange, on the other hand, demanded a strict division between the system of economic planning and management and the political system in the narrow sense of the term. Even if his model contained a clearly utopian (unrealistic) element, the Yugoslav model went to the other extreme in its politicization of the economy. Between the two there is room for a whole range of less extreme possibilities.

In general, then, I do not think that the Yugoslav experience offers conclusive, negative evidence regarding the viability of market socialism.

Thus, a more fundamental question arises: why has not a single country in Eastern Europe succeeded in introducing a form of market socialism that would have worked? One possible answer is that bureaucratic power elites, protecting their vested interests, have successfully opposed such a system. If this is the case, however, why has market socialism not been advanced as an alternative to the communist systems that have been collapsing all around us during the past year?

A complete answer to this question would demand a separate article, if not an entire book. All I can do here is express a general opinion. The current convulsions in Eastern and Central Europe are, above all, of a negative kind. Their aim is to bring about the most radical possible rejection of the universally hated communist system. The craze for Thatcherism and Reaganomics is based largely

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on the fact that they appear to be at the opposite end of the political and economic spectrum from this system. Their popularity can also be attributed in part to the fact that the communists have destroyed the noncommunist socialist and social-democratic left. A more sober assessment of the social and economic costs of the therapy adopted from the West will come only when we have mass unemployment and slums, when we have shocking inequalities in incomes and in access to education and health care. From a purely pragmatic point of view, the evolution of communist systems toward some form of market socialism (with much greater pluralism of forms of ownership than envisaged in Lange's classical model) would be the easiest and least destabilizing path to take. For political reasons, however, such a choice is unlikely to be made in the near future.

Translated from the Polish by JANE CAVE □

Notes

[1] Janos Kornai, "The Hungarian Reform Process: Visions, Hopes, and Reality," *Journal of Economic Literature* (December 1986):1,727.

[2] Oscar Lange and Fred M. Taylor, *On the Economic Theory of Socialism*, edited and with an introduction by B. Lippincott (McGraw-Hill, 1964), p. 109.

[3] Kornai, "The Hungarian Reform Process," p. 1,727.

[4] Joseph Schumpeter, *Capitalism, Socialism, and Democracy* (Harper and Row, 1962), p. 83.

[5] Ibid., p. 84.

[6] Oscar Lange and Fred M. Taylor, *On the Economic Theory of Socialism*, p. 110.

[7] Oscar Lange, *Dziela,* Vol. 2 (Warsaw, 1973), p. 553.

[8] Oscar Lange, "Ekonomiczne podstawy demokracji w Polsce," in *Dziela,* Vol. 2, p. 472.

[9] *Contributions to Political Economy*, Vol. 6, 1987, p. 324.

[10] Oscar Lange, *Papers in Economics and Sociology* (Warsaw, 1970), p. 439.

[11] David Granick, *Enterprise Guidance in Eastern Europe* (Princeton University Press, 1975), p. 25.

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A Symposium

Robert Heilbroner

FROM SWEDEN TO SOCIALISM

A Small Symposium on Big Questions

I have recently posed a question to which I have no answer, but which seems to me to go to the heart of the outlook for democratic socialism, at least in the advanced capitalist countries. The question is: how far beyond the borders of what I call "real but slightly imaginary Sweden" would we have to go before a visitor to that land knew that he or she was in a socialist, not a capitalist, country?

Let me suggest some of the more obvious answers—and the problems they raise:

1. A small number of large corporations constitute the dynamic core of the Swedish economy. Would these corporations have to go? With what would they be replaced? The one thing we know is that they should not be nationalized. Then how governed? Or if dismantled, into what sorts of units, themselves how governed?

2. Sweden has a large and generous public sector. Its purpose, however, is to provide the amenities needed in a capitalist economy, not those of a socialist society. The difference, I should think, is that a socialist public sector would aim at "decommodifying" labor—removing the necessity for performing unwelcome work. If so, how would these wide-ranging entitlements be provided? What would be their effect on economic and social life?

3. Sweden is closely entwined in the world capitalist market. To extricate itself would require an extensive change—I will not say "fall"—in its living standards. Wasteful private consumption would have to yield to economical public consumption, automobiles making way for busses and trains, washing machines for Laundromats. How can a population that clearly enjoys its wasteful standard way of life be persuaded to make such a change?

4. Bourgeois life itself may be a matter of concern. Sweden is a highly pragmatic, comfort-minded, nonideological place. Is that a culture that socialism would seek? What other?

There are no doubt many ways in which Sweden would have to change before the imaginary land to which we refer was unmistakably socialist. To indicate those ways, and to consider their economic and political costs, seems to me the manner in which democratic socialists should measure the challenge of the coming decades.

Irving Howe adds: *Let me supplement Bob Heilbroner's cogent questions with another, perhaps preliminary to his, which our critics, and perhaps some friends, would ask: if we imagine so advanced and attractive a welfare state as the "Sweden-plus" that he postulates, would there be any reasons still to wish to move further toward a socialist society? If so, what would those reasons be?*

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Joanne Barkan

Poking around Slightly-Imaginary-Sweden (SIS), even the skeptical socialist is impressed. A solidaristic wage policy (centralized bargaining to achieve equal pay for equal work nationwide) forces unproductive enterprises to shape up or go under. This boosts overall economic efficiency. Strong tax incentives pull profits into reinvestment, further raising productivity and creating jobs. Intelligent labor market policies (job training and placement, subsidies for worker relocation, and so on) hold unemployment down to statistically irrelevant levels.

Because the transition to new jobs is eased, a powerful democratic labor movement cooperates in industrial rationalization, once again increasing efficiency and growth. Surplus from this dynamic economy is used to protect the environment. The surplus also supports a system of universal, high quality social welfare programs that are decentralized enough to be "user-friendly." Good education builds a skilled work force. Progressive tax policies shrink income inequalities, which keeps the market from listing too heavily toward luxury goods. Public agencies oversee the immense pension funds, thereby exercising some democratic control over investment.

National legislation prevents arbitrary firings, requires worker representation on the boards of directors of all firms, allows workers to halt production if they find unsafe conditions, and obliges employers to negotiate with local unions before implementing major changes.

After living under this system for some decades, most SIS citizens hold dear the values of equality, social justice, solidarity, democracy, and freedom. Images of the homeless on the streets of New York shock them. They pressure their government to increase aid to the Third World. They point with pride to the fact that the overall health of SIS children in the bottom 10 percent income group is identical to that in the top 10 percent. During their six weeks of vacation each year, SISers love to travel abroad. But they return convinced that their system best implements basic values.

Life is sweet in SIS. Why go beyond? The socialist points out that because most industry is privately owned, the system is vulnerable. The left government and unions try endlessly to accommodate private capital. Not only must profits be high, private owners and investors must be persuaded that they will benefit more by staying in SIS than by moving. This gives them excessive economic power and political leverage. But no matter how well the SIS system performs, private capital will defect if it perceives significant advantage elsewhere. National loyalty is a myth. (The current flight of capital from real Sweden into the EEC countries is sad proof.) The gains made in SIS remain precarious.

The socialist has other reasons for wanting to move beyond SIS. First, she would like to break up concentrations of wealth and power in order to promote democracy. Second, she believes that people can have substantial control over their work life only if the workplace belongs to them. Third, although SIS wins high marks for equalizing life opportunity, redistributing wealth, and fostering fine (socialist) values, the socialist thinks even more could be done.

What structural changes does the socialist propose? The innovations must do more than upgrade SIS (more than, say, improve day care or make taxes more steeply progressive); they must transform capitalist SIS into a socialist country. Forms of ownership must change, and the scope of markets be reduced.

The socialist recommends enlarging SIS's small socialized sector. Under the new system, the state would own enterprises in key industries as well as natural monopolies (the telephone system, power companies, railroads, and so on). Socialization would keep concentrations of power and wealth out of private hands, give the government and labor movement more control over the economy, and prevent capital flight.

But the skeptical socialist acknowledges serious problems. The inevitable oversight agencies can undermine freedom of initiative for the managers of socialized firms. Assess-

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ment of responsibility becomes difficult. Even if a good managerial culture develops in the socialized sector, the entrepreneurial function, essential to a dynamic economy, may be lost. The socialist doesn't value efficiency, competitiveness, and economic growth for themselves, but rather wants enough of these to fund the institutions that make social justice and equality possible. No socialist party wins a free election with a program of enforced autarky for a state-controlled economy.

So the socialist suggests an alternative form of ownership—workers' cooperatives. Cooperatives, too, break up concentrations of power and wealth and prevent capital flight. They give people the greatest control over their work life, eliminate unearned income, and encourage participation. The decision is made to expand SIS's existing cooperative sector until co-ops are the dominant form of ownership.

Unfortunately, new difficulties develop. Co-ops within an industry can compete ruthlessly; some knock out others, leading to new concentrations of wealth and power; some worker/members may resort to extreme self-exploitation. The socialist proposes laws to counter monopolization and to protect workers from themselves. But more serious imbalances emerge: cooperatives resist taking in new members in order to keep profits per member as high as possible. Labor mobility decreases throughout the economy. Co-ops also resist labor-saving technology, undermining overall efficiency.

Then Co-op A decides to invest its surplus in Co-op B, turning Co-op A members into capitalists. Co-op A has the possibility of becoming a powerful conglomerate. Laws are passed to prevent one co-op from investing in another. But this immobilizes capital, and the economy may lose its dynamism. Finally, an economy dominated by cooperatives doesn't have labor unions uniting workers both industry wide and throughout the economy. There is no solidaristic wage policy and therefore none of its far-reaching benefits.

Needing respite from the ownership question, the socialist considers the market and its noncapitalist alternative, planning. Comprehensive planning—including price setting, production quotas, and the allocation of capital, raw materials, and intermediate goods between firms—is rejected. No one can fathom how to make such a system work, with its built-in inefficiencies, shortages, impossible data requirements, arbitrary prices, and inadequate criteria for evaluation.

The socialist advocates a lighter touch. The government will shape economic development by phasing out declining industries and promoting new ones with tax credits, discounted interest rates, and direct subsidies. The socialist keeps in mind that too much intervention will undercut market discipline and the economy will be dragged down by inefficient firms that don't cover their costs.

Until convinced that something else will work, the socialist opts for a level of planning and an economy of mixed ownership that resembles more than anything else . . . well . . . SIS. The socialized sector has been enlarged a little to ensure socially useful production that the market neglects. Rigorous legislation promotes small businesses and disperses large concentrations of economic power. The co-op sector might be somewhat larger. And perhaps ways are found to root socialist values more deeply.

Our socialist is anything but satisfied. The fundamental contradiction of the system hasn't been resolved. Improved SIS is still vulnerable to capital flight. Investors might cut out anytime for places where the wages are lower, the regulations fewer, and the ethos less egalitarian—thus confirming the dictum that it's difficult to maintain SIS in just one country. The only solution is to operate in an international market where SIS conditions predominate. What SIS needs is Very-Imaginary-Europe (VIE).

So the socialist joins the movement to build VIE—yet all the while is plagued by doubt: if an ever-improved SIS depends on the dynamism of private enterprise, how can the system ever be called socialism? The response for now is another question: if the system is equally characterized by the decommodification of human needs, market regulation, and the redistribution of wealth and power, can it still be called capitalism?

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H. Brand

I accept for the sake of argument Bob Heilbroner's way of posing his initial question, although he phrases it in terms (so it seems to me) of two separate, static forms of social governance—when in reality, capitalism and socialism are processes that interact and are carried on by social groups or classes in sometimes cooperative, often hostile ways. Furthermore, although I sympathize with Heilbroner's need to limit the analysis by restricting the outlook for democratic socialism to the advanced countries, we must note that much of the renewed dominance of capital stems from the enormous pressures on wages and social entitlements exerted by the competition of the poorer countries and the seemingly unstoppable migration of their redundant work force. So the questions Heilbroner raises have too narrow an ambit, they are too abstract, and I don't see where they go "to the heart" of the outlook for democratic socialism. Yet I'll try to deal with them briefly, one reason for this being that I cannot formulate them much better.

1. *Corporate structure*. This question cannot be cogently answered in ignorance of the cultural and historical setting of a given society. My inclination is to reduce the influence of shareholders drastically, because shareholders are not producers, and to reinvest or tax away dividends. But how would management then be controlled? Can it be inspired by an ethos of social responsibility? Would a tripartite board of directors—representatives of the public, labor, and major consumer groups—be effective? How could a progressive role for its financiers—the banks, the state perhaps, the capital markets—be ensured? I believe these are problems for an evolutionary socialism, for a kind of Deweyite social intelligence. Even Keynes did not despair of them, although his historical vision was foreshortened.

Furthermore, I believe that the state must ultimately guide all *major* investment in productive equipment and structures, human resources, and social infrastructure. This role for the state remains, notwithstanding all that has happened in Eastern Europe, a central problem, perhaps the central problem for social democracy and democratic socialism.

2. *Decommodifying labor*. At a time when labor is increasingly threatened by *re*commodification, as witness the weakening of trade unions, the stagnation of purchasing power, the erosion of social entitlements, should we be concerned about people refusing "unwelcome" labor as a core problem of a socialist society? The abstractness with which Heilbroner poses the question, disturbs me. Also, he overlooks the fact that the refusal to perform unwelcome labor has been recognized even in American labor law. Unemployment compensation cannot be refused to a jobseeker who declines work outside his or her regular occupation. It is true that this has been more and more circumvented. A jobseeker can no longer decline lower-paid work without endangering his or her compensation rights; employers can readily find persons (for example, immigrant foreigners) for whom no work is unwelcome.

The decommodification of labor is one of those processes, alluded to earlier, in which capitalist requirements and labor's—or socialistic—objectives clash. In *Politics Against Markets: The Social Democratic Road to Power*, Gosta Esping-Andersen writes:

> Social democratic class formation . . . is first and foremost a struggle to decommodify labor and stem market sovereignty in order to make collective action possible. Only when workers command resources and access to welfare independently of market exchange can they possibly be swayed not to take jobs during strike actions, [and] underbid fellow workers. . . .

Esping-Andersen defines the decommodification of labor in terms of collective social services, unemployment and sickness compensation, employment security, and general income maintenance. The attainment of these entitlements represents more than the creation of "amenities" in a capitalist economy. It also diminishes the reach of the market and the domination of capital over resources. It establishes, if you will, a socialistic terrain,

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although this terrain remains contested by privatization drives.

3. *Integration in the world market.* Here I cannot follow Heilbroner's argument. He seems to believe that in order to establish socialism, his imaginary Sweden must disentangle itself from the world market, and that this would entail a change if not a decline in its standard of living. He evidently rejects the notion that socialism without autarky is possible. The evidence for this notion is the autarkic regimes of Eastern Europe, all of which closed themselves off against the world markets and all of which broke down. This implies that either your economy is integrated in the world market—then you can have a high standard of living, but no socialism. Or it protects itself against the world market—then your standard of living won't be great, but you'll have socialism. I believe this to be a false dilemma.

The history of international institutions over the past century depicts a struggle to curtail the reach of the world market or at least to regulate it. No matter that this effort more often failed than succeeded; it was perennially renewed. I cite only the work of the International Labor Office in setting work standards and seeking adherence to the codes to which its member countries agree. Perhaps standards of living in the "advanced" countries will have to be reduced—but not so as to bring socialism to an imaginary Sweden. Rather, the threat of political instability and migration pressure may well make large-scale investment and consumption aid imperative (as the recent $3 billion loan by Germany to the Soviet Union indicated); and such aid can only be extended at the expense of living standards now enjoyed in the potentially aiding countries. It would be a manifestation of worldwide socializing tendencies; I am sure that Gunnar Myrdal would have so interpreted this development, and that Willy Brandt would be inclined to do so, and would even urge its intensification.

4. *Bourgeois life.* If living standards may be capped or reduced due to the imperatives of an international redistribution of income, they may also be impinged upon by environmental concerns, unless technologies are developed and resource planning is instituted that overcome such concerns and enable a shift in standards of comfort rather than necessitate a cut in them.

But leave these considerations aside; Heilbroner implies a civilizational change, even as he speaks of a "visitor" who, after all, "envisages" or sees two different societies, one capitalist, the other socialist. And what symbolizes the heart of their difference better than, for capitalism, the New York skyline and the power of capital it proclaims, and, for the socialist future, the campuslike setting of more and more industries, indicating their knowledge-based activities? The intelligence of power being displaced by the power of intelligence—that would be the promise of a civilization based on democratic socialism.

Mitchell Cohen

Why go beyond an advanced welfare state—beyond what Robert Heilbroner calls "real but slightly imaginary" Sweden? How would the passage from welfare state to "socialism" be manifest?

To create a more democratic society. By expanding substantive, that is, social and economic in addition to political, democracy.

If we postulate that these aims are pursued by reformist means, then the "goal" would not be evident at first glance; nor would there be a "last glance" upon something comprehensively defined. Jean Jaurès provided the metaphor (which I'll amplify): a hemispheric border is not immediately visible to passengers on a ship as they cross the sea. Conflicting gales may press them back and forth, tempestuous travel trying the craft's seaworthiness. Yet if they persist, the voyagers eventually perceive that new waters have been reached.

These new waters are not enclosed. Nor are they frozen. They do not represent an *endziel*, or final goal, but rather an opening of possibilities. The point, to paraphrase Marx, is

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to establish conditions of freedom not to impose a prefabricated set of ideals. Those conditions, in my view, must be egalitarian and entail social and economic democracy. My assumption: concentrated private ownership of a society's productive forces (and the attendant concentration of wealth) engenders undemocratic power relations in that society. Such ownership exists in Sweden; indeed, about a third of the value of the Stockholm stock exchange is, in one way or another, controlled by a single family (the Wallenbergs). Nonetheless, the Swedish Social Democrats designed an attractive welfare state that, rightly, has been the envy of much of the world. It was wrested from Swedish capitalism, while remaining dependent on it. A social democratic quandary: the purpose of the welfare state is to mitigate the socially negative consequences of capitalist ownership, yet it is the latter's economic success that sustains the welfare state.

Sweden's economy is strained nowadays. A recent account of its woes in the *Economist* reports that "economic liberals" have "long warned" that Sweden possessed "all the ingredients for economic paralysis." These include the highest taxes and—oh, horror!—"the most generous welfare state, the narrowest wage differentials and the highest trade union membership" in the industrialized world. Rueful that reality in which "last year a cabinet minister took home, after tax, only about twice as much as a blue-collar worker; in 1939 the ratio was eight to one." The "uncomfortable conclusion is that Sweden's real problem is its commitment to full employment," for "by virtually eliminating the threat of unemployment, the incentive to restrain wages has been destroyed."

Put aside contemporary Sweden (I am no expert on it); reflect on the premises of the *Economist*'s argument; then imagine an alternative mode of thought, one that seeks to eliminate the incentive to unemployment. To go beyond the welfare state is to make its gains irreversible and to democratize the conditions of production. It is to make employment, health care, housing—the basics of human welfare—together with democratic control of the workplace "inalienable rights," much as private property is for the *Economist*.

Irreversibility presumes a political constellation different from the contemporary Swedish one. In it social democratic success depends significantly on disunity and weaknesses among three bourgeois (opposition) parties. In the United States, where socialists are marginal, two capitalist parties compete, one straightforward in its reactionary orientation, the other containing some social democratic tendencies. In a democratic socialist Sweden this might be stood on its head; imagine two competing parties, but both socialist. Let's call one the Democratic Socialist party and the other the Republican Social Democratic party; let's imagine that the first leans a little less, the second a little more to the use of market forces. Within the latter, in its right fringe, there might even be a small group advocating unemployment to remedy economic problems; perhaps it would be called the Democratic Capitalists of Sweden.

This political situation presumes a socioeconomic hemisphere beyond the welfare state—but not a statist one. Rather, I'd draw, with some variation, on the market socialist model developed in Alec Nove's *The Economics of Feasible Socialism*. Rejecting command economies, it mixes limited sectors of public and socialized but autonomous services and industries with worker-owned cooperatives, some small-scale private enterprise, and a realm of free-lance individual activities. (My emphasis would be strongly on the cooperative sector.) State intervention would take place both for social needs and to prevent monopolies, oligopolies, and, generally the development of conditions deleterious to fair market activities. Indicative planning would provide a long-term functional framework. Firms would be governed by a system of industrial representative democracy; management would be responsible to elected workers' councils, which, in collaboration with consumers' councils, would serve as the ultimate authority of enterprises. (Small cooperatives would employ more direct democracy.) Courses on all aspects of the enterprise and the economy would be readily available to employees in order to enhance educated democratic control by them,

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and to engender as much flexibility and mobility within the division of labor as possible.

Finally, the array of public institutions we identify nowadays with the welfare state would exist, but the principles governing them would be those of social citizenship. To retrieve Jaurès's maritime metaphor: citizens would see themselves in the same boat, and not just politically.* This would be expressed in the type of society fashioned, its values (I stress the plural), its social and human relations—a community, but without a reified *endziel*.

A caveat. The fate of Sweden's economy, which is heavily export oriented, will be substantially dependent on current processes of European integration, even though Sweden is not a European Community member. The only alternative scenario is, to say the least, implausible: an egalitarian autarky, which would likely require both authoritarianism and plummeting living standards—a nordic Albania, as it were. Consequently, the future of socialism in Sweden, no less its welfare state, will be conditioned by the general complexion taken on by Europe as a whole in the coming years.

* For a somewhat different application of Juarès's metaphor to Sweden, see Adam Prezeworski's *Capitalism and Social Democracy*, Cambridge University Press.

Lewis Coser

The term "scientific socialism" is an oxymoron. Science pertains to the study of what is, whereas socialism is a vision of what can or should be. To deny scientific status to socialism is not to denigrate its central importance. It provides indispensable guiding images without which our lives would become appallingly drab, and hardly worth living. Utopian visions are not merely frosting on the cake but a major part of its substance.

Socialism, its Marxian forebears notwithstanding, is one of a variety of utopian ideas. Utopia is, of course, nowhere, but ever since Plato's Republic, the counterimage of a perfect society has served to provide regulative ideas for a society more decent, more just, more fraternal than the present. Each society produces the utopia it deserves.

One of the least appealing aspects of contemporary society is its technocratic fixation and its lack of social vision. August Bebel once complained about what he called the damned wontlessness of the poor. In our days, it is not only the poor who lack transcending vision, but even intellectuals have largely deserted their mission to provide utopian images that transcend current habits of thought. They are for the most part timid souls who are scared to stray too much from the well-trodden path. In America, the utopian image has been in retreat since the early days of the New Deal. What has been initial retreat has now become a full-scale rout. It seems that, according to the major current thoughtways, anybody who strays from the common paths as theorized by Milton Friedman leads us straight to the gulag.

The greatest challenge to the idea of socialism at the moment does not just come from doctrinaire defenders of the alleged benefits of free markets. It comes from large sections of intellectuals who have of late emerged in Eastern Europe. These men and women have suffered for many years from totalitarian regimes that had the effrontery to call themselves socialist. It is hence not astonishing that many of these intellectuals have turned away from what they conceive socialism to be and have come to extol the free market. Free and unhampered market enterprise is, to be sure, found only in textbooks. What these East European intellectuals perceive as the essence of a free-market society may well be a fatal distortion, but it still has the power to do untold harm to the idea of socialism and of a good society.

Some thirty-five years ago Irving Howe and I wrote an essay for *Dissent* that was meant to provide rough guidelines to what we believe to be the main components of a good society. We called this paper "Images of Socialism."

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"God," we quoted Tolstoy, "is the name of my desire," I see no reason why we should surrender this pregnant hope to all the current Eastern and Western enemies of social promise. Socialism is a guiding and regulative idea. It cannot as such ever be realized fully, but it can serve as a measuring rod for comparing the present with what can be attained through a politics of democratic participation in a fraternal self-governing society. The image of socialism is a yardstick that keeps us honest when we attempt to assess the ailments and tragic consequences of the here and now. The Utopian image of the "good society" can serve as a stimulant for constructive moral change, even though it cannot be fully implemented. At every step on the road we will discover new tasks, which come into view when some of the old goals have been attained. The utopian socialist vision can spur us on even as it leads us to discover new challenges along the way.

Bogdan Denitch

Without an imaginative utopian dimension, socialist thought remains excessively rooted in the present. It ends up as something very worthwhile, that is, the reform of the existing system; but it remains restricted to what is "realistic" within the existing order. The borders of the possible are not even tested. That kind of "realism" has almost destroyed West European socialism, leaving behind reasonable but dull administrators of a more humane capitalism within welfare states.

The problem in thinking about a socialist society or program is how to make such a society seem possible and desirable to human beings who have been shaped by the present culture and social order. This is a major problem, because the cultural hegemony of the capitalist order is now probably stronger than it has been at any point since the industrial revolution. To be sure, the Social Democratic parties increasingly solve that problem by not worrying much about any kind of socialist future and meanwhile doing what they do rather well, that is, defend the welfare state.

Mass literacy and state-controlled education, combined with a commercialized mass culture, successfully hasten the retreat of the autonomous cultures that had been built up by the industrial working class. The autonomy provided by homogeneous working-class neighborhoods, with their pubs, clubs, political organizations, and associations linked to left parties and unions, is for the most part, throughout Western Europe and North America, either vanishing or disintegrating. The majority of even left voters in advanced industrial societies today have been socialized to accept a whole range of assumptions of a capitalist civilization about what is possible and desirable, how one should live one's life, and what is the necessary minimum of material goods. Traditional solidarities of class, occupation, and workplace are replaced by possessive individualism. Left politics increasingly resorts to talking about resentments of segments of the population and the unfairness in the distribution of the benefits of increased productivity rather than raising universalist egalitarian demands and a vision of a radically different organization of production and leisure. To raise such demands is considered unrealistic, but failing to do so destroys the moral and emotional basis of the movement.

Mass socialist politics in the late nineteenth and twentieth centuries had been rooted in an autonomous working-class subculture, which, whatever its inadequacies, provided an alternate political socialization for generations of socialist, trade unionist, and broadly radical democratic activists. The present urban community, by contrast, is atomized, collective goals are mobilized in the service of the existing order, and the idea that the common good may require sacrifice and effort is replaced by notions of self-fulfillment, often through individual advancement and accumulation of possessions. This process extends to all organizations of citizens in the modern capitalist democracies, so that parties, voluntary associations, and unions become goods to be

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passively consumed and democracy an exercise in consumer choice rather than a process requiring active participation by an informed citizenry.

Although a high degree of organization is not required to disrupt and even topple an existing political order, it is required for constructing an alternate order. That is one of the recent lessons from Eastern Europe and even the Soviet Union. I believe that only in societies with a high degree of autonomous self-organization and a thick set of overlapping movements and institutions, does it become possible to think of moving beyond the limits that capitalist civilization sets. These limits are "set" mostly in the minds of the public. To be sure, they are limits considerably more flexible than the traditional left used to believe. When faced with dangerous alternatives, advanced egalitarian and welfare-state measures may well be accepted. However, the intellectual hegemony of the capitalist system signifies an ability to define what is "objectively" possible to do in society.

This is why Robert Heilbroner has done something useful by asking us to imagine what could, or rather should, lie beyond the present reformist valhalla, the Swedish welfare state. We are asked to think about a real place, or an almost real place, a more advanced Sweden, and that gives us an implicit time frame, presumably a few decades. What can be counterposed to the hegemony of the capitalist culture are the independent organizations and social movements that accept at least partially different values. The most massive example of such an organization that has, even if to a limited extent, alternative values is the Swedish labor movement. It is *that* which makes Sweden different and "special" for me, not the welfare state per se. After all, advanced welfare states exist in other Scandinavian countries and Holland. Germany, France, Belgium, and Italy also have relatively advanced welfare states with a fair degree of control over capital as a minimal norm of civilized behavior.

What is unique about Sweden and makes it *possible* to think of it as a site for a project beyond the welfare state are not just its generous social provisions or high living standards but rather the massiveness of its labor movement. It organizes so high a percentage of the working population as to be qualitatively different from all other social democracies and welfare states. The figure for the trade unions is 85 percent of all employed! That is, 90 percent of all production workers. No other country begins to approach these figures. Such figures affect other political statistics, including the proportion of social democratic voters who are members of the party, the cooperative movement, the women's organizations, and so on. This degree of organization makes it possible to answer other questions about what might be done in a near-Sweden.

Such mass organization determines what popularly supported measures can be undertaken without being brought down by the invisible but very real power of capital even in an advanced welfare state. It is the very real threat of a "strike of capital" backed up by the world capitalist order that acts as the real limit on how far one can move beyond the welfare state.

The only way to counter the potential veto by capital of any major move on the part of a left government is massive popular organizations of the type that the Swedish labor movement possesses. In Sweden labor can block attacks on the welfare state, and it can block attempts by capital to sabotage legislation. Imagine a political strike in a country where 85 percent of the work force is organized! Its numbers give it strength, and its solidaristic wage policies, which have reshaped the Swedish income distribution toward greater equality, give it moral weight. Unlike, for example, the Anglo-Saxon unions, Swedish labor did not favor the better-placed and more powerful unions; instead, it pushed for increases across the board as a conscious decision to reduce wage differentials between skilled and unskilled, between women and men. That is, it rejected the capitalist competitive norms when determining its strategy.

What a labor movement can do in Sweden is also limited by what it can convince the majority of the electorate to accept. At this time, there is a standoff. Proposals to move

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beyond the welfare state, and there were such during the seventies, did not win a convincing majority. Therefore, quite properly, the Meidner plan (which would effectively have abolished capitalism through wage-earner funds) is on a back burner for the time being. I think it will be revived.

The real question is: what would one need to see Sweden or any other country as moving toward socialism? My somewhat simplified answer is that Sweden would have to move in two major directions. The first is to effectively expand control over the workplace through councils that involve the vast majority of workers in making day-to-day decisions about their work life, personnel decisions, and the overall direction their enterprises should take. Such bodies should control management and be regarded as the economic counterpart to local self-government. The second is to abolish the present concentrations of private ownership. Mixed forms of property ownership—private, public, and cooperative—along the lines described by Alec Nove make good sense. Clearly great concentrations of private wealth are incompatible with socialism or, for that matter, democracy. While very steep progressive tax ation combined with an almost confiscatory inheritance tax could alleviate this problem, in the more advanced welfare states we still have the question of the social and political effects of great concentrations of wealth.

Gross differences in wealth and income are unacceptable from the point of view of either equity or democratic theory. Wealth tends to translate into political and social power. Democracy cannot exist in any meaningful sense when there are gross disparities in political power. That argument is so obvious and well established that it provides today the most effective language with which to express the socialist argument—the language of democracy. Thus my ultimate argument is that the welfare state should move in a socialist direction so as to complete the democratic transformation of society.

Ferenc Fehèr and Agnes Heller

The demise of communism after the revolutions of 1989 has been, understandably, hailed by the right as the ultimate "proof" of the fiasco of the socialist idea as a whole. More surprising than the rightist glee is the self-querying mood of many noncommunist socialists who, precisely now, want to find metaphysical or sociological "proofs" and "guarantees" of the survival and longevity of their movement. But there are no such guarantees. Every culture prior to ours harbored influential trends that at some point lost their vitality and vanished, for various reasons. Our culture is no exception. It is entirely in the hands of socialists here and now whether their great movement, which has molded modernity for two centuries, is doomed to extinction or whether socialism will find the inner energy for rejuvenation.

Viewed in perspective, social democrats and libertarian socialists of all hues should now have ample reason for joy. The scarecrow, whose presence has always triggered the accusation of conspiring to introduce a government of terror, leveled against them whenever they proposed social change, is now gone. Yet it seems as though old-time democratic socialists, enemies of communism for reasons of principle, are anxious rather than relieved. This perplexity of (noncommunist) socialism is a highly revealing feeling, conveying the message that noncommunist socialism has not faced seriously the complex issue of the historic achievements and internal limitations of its own theory and politics. The critique of communism seemed to have spared socialism this unpleasant task, which can no longer be postponed.

Above all, socialism does not seem to have made an honest inventory of its contribution to the "normal" development of modernity. Even if socialists completely disinherit communism

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as an intruder into their family, even if, as a result, they accept no responsibility for communism's crimes, the fact still remains that the socialist contribution to normally developed modernity has been dangerously curtailed so far in several areas.

Their major claim to recognition—one without which the "Roman degeneration" of modernity into Caesarism on the one hand and the permanent indigence of the industrial proletariat on the other would have been inescapable—is the legitimization of "the social question." The neglected needs of the working classes, as well as of those who have been forced to idleness, enjoys, for the first time in recorded history, a pride of place on the political agenda only as a result of the socialists' stubborn campaigning. This achievement is their glory.

The socialists provided the idea of relative equality and that of social justice with a balanced meaning beyond extremist excesses. They have, furthermore, contributed to the development of parliamentary democracy in the nineteenth, and in Spain and Portugal even in the twentieth, century by mobilizing the proletariat, initially an outcast of civil society and almost completely uninterested in politics, to transform itself into an electoral constituency and boost its social and economic power. However, socialism accepted ready-made the idea and the *modus operandi* of democracy, and it has added virtually nothing to democratic theory and practice. The indifference to and often contempt for liberalism felt by many socialists blinded them to the moblike features and the totalitarian potentials of democracy. Perception of the latter has been traditionally regarded as "aristocratism" among socialists who were committed democrats.

For the most part, the economic system of modernity developed without their participation other than as critics, which was, admittedly, a crucial function. Even when the socialists did not harbor ideas of radical utopias of a marketless society, they have, for good reasons, always considered the market a necessary evil and, rightly, market logic the principle of a continually reproduced inequality. The only economic strategy they felt affinity with, and whose agents proper they were when in government, was the Keynesian. Their traditional, and perfectly legitimate, relationship to the market has been in the last half century cohabitation and a policy of proposing restrictions with a view to social justice (which, in combination, is what "market socialism" is all about). So far, with the exception of Willy Brandt's vague theses on the North-South relationship, socialists have not been particularly receptive to the problems arising out of the disproportions of global economy—although world economy is now the adequate framework, as was the nation state in Keynes's time, in which recommendations for social justice and (nonmarket) rationality can be raised and implemented.

Their overwhelmingly urban origins and culture prevented the socialists from adding an iota to the agrarian question. The only redeeming feature in this regard was their zeal in implementing a program of land partitioning during certain agrarian revolutions, and this was not their own proposal. Perhaps for that reason they also overslept the emergence of the environmentalist issue, which has been advocated by nonsocialist actors.

As for nationhood and nationalism, democratic socialists or social democrats have an almost entirely unblemished record of being enemies of national, ethnic, or race bias of all kinds. (The shameful episode of the "White Australia Policy" of Australian Labour remained an incident without further consequences in the annals of socialism.) At the same time, albeit loyal citizens, socialists always felt ill at ease about national identification. They were not internationalists in the communist sense of building a Universal Church of the Grand Inquisitor, but they were certainly cosmopolitan in an age of nationalism. Only one socialist contingent, the Zionist Labor, became a nation-builder, and another, French socialism from Jaurès to Mitterrand, has contributed to the greatness of *la nation,* with only a single relapse into chauvinism (under Guy Mollet during the Algerian war). The rest of them stood awkwardly on the sideline whenever the nation and its affairs were on the agenda.

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Finally, they have an ambiguous cultural record. For them, communism was tantamount either to state censorship or to intellectual elitism. By contrast, social democrats were betting on a genuine proletarian culture in an age when class culture was already disintegrating. The government of democratic socialists in the welfare state was a benevolent patron of the arts; and the socialist movement spread literacy and the light of knowledge where the darkness of ignorance had reigned supreme. We owe the discovery of, and the support for, the best products of working-class culture (in Great Britain), as well as some of the best novels (in Scandinavia and postwar Germany), to this welfarist patronage and social democratic spirit. But social democracy, in its aversion to intellectual elitism, has constantly lacked the great vision necessary for the flourishing of culture.

The vacuum created by the demise of communism is beneficial for socialists only if they are capable of making an inventory of their peak performances and serious limitations. For, let us be honest, the existence of communism was not merely an obstacle for democratic socialists. In strange ways, it was also a blessing in disguise. As long as communist governments of terror or repression existed, it sufficed for democratic socialists or social democrats to pinpoint the communist practices with the remark: we shall do it in a different way. This gesture alone guaranteed votes. But now, with the scarecrow gone, they are left alone on the left, and they have to do the work in a different way or perish. To be capable of performing the new task, it is mandatory that they address their own past record.

Branko Horvat

In order to find out how much a country is socialist, it is necessary first to define socialism. Characteristically, no clear, precise, and commonly accepted definition exists. My own definition is extensively discussed elsewhere (*The Political Economy of Socialism,* Sharpe, 1982) and can be only briefly summarized here.

1. *Socialism is a phase in the process of the individuation of men and women, of their emancipation from various collectivities (tribe, estate, class, nation), of their progress in the direction of individual self-determination.* (Note that individuation has nothing to do with possessive egoism and implies, rather than excludes, genuine social consciousness.) In this sense, socialism contributes to the fulfillment of the three proclaimed goals of the bourgeois revolutions: liberty, equality, and solidarity. The three ideals cannot be separated and imply each other: unequal liberty destroys equality, lack of equality makes the freedoms of some individuals deficient, and solidarity is the behavioral precondition for the achievement of liberty and equality. Against this standard, it is not particularly difficult to measure the performance of Sweden or any other country.

2. *If the full personal development of individual men and women is the supreme goal, social equity is the basis of the system called socialism.* That implies the elimination of any concentration of political and economic power. In this sense the three goals may be approximated through political and economic democracy and government-sponsored solidarity.

3. *Socialist political democracy includes all classical rights and freedoms of citizens and also replaces party politics (parties are concentrations of power) by citizens' politics.* In other words, elections do not depend on party finances and party bosses, and the relation between electors and their representatives in the parliament is personalized. The representative is primarily responsible to electors, not to a party, and the party whip is absent. The issues are decided on their merits, not in the interest of party oligarchies. Substantial, as contrasted to purely formal criteria are generally applicable: similarly, as a formal democratic procedure is not sufficient in socialist politics, neither is formal equality before law. A corporation or a state agency, with vast means at its disposal, and an individual citizen cannot be equal parties in the

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court of law. That necessitates the creation of an ombudsman, an institution in which the Swedes have pioneered. Finally, the Leviathan-state must be decomposed into its seven fundamental functions (legislative, executive, adjudicative, administrative, recruiting, and controlling), replacing the classic separation of the first three powers.

4. *Economic democracy is perhaps the most distinctive feature of socialism.* It means that management rights are derived from labor and not from the ownership of capital. That implies that self-management replaces power hierarchy at the place of work. Self-management, in turn, implies an independence of firms and the existence of a free market without monopolies. It also implies full employment, which requires planning as a complement to automatic regulation of economic processes by the market. Since the firms are primary owners (and engage in all business transactions for their own account and independently, regardless of whose capital they use), a capital market is consistent with socialist economics.

5. *Income is basically distributed according to work performed.* That requires that social solidarity enter in two different ways: productive and ethical ones. Personality-building services (education, medical care) must not depend on the earning power of the recipients but must be delivered "according to needs." That is not only "just," but also helps to develop the productive potential of the society. The second case refers to handicapped individuals who cannot earn a decent living by their own efforts. Here pure human solidarity is involved.

6. *A socialist framework does not resolve technical issues (large corporations, large public sector and so on) by itself.* But it offers different possibilities for their solution. For instance, nationalization is a nonissue. Large corporations are large primarily because their financial power increases with size, and that is crucial for survival in the fluctuating capitalist market. Planning may reduce the advantages of financial power, and self-government will reduce the attractiveness of large size. An egalitarian distribution of income reduces the need for large government expenditures. The elimination of class distinctions makes conspicuous consumption an oddity. People accustomed to evaluating their needs rationally will know how to use automobiles and buses, and we may safely leave such choices to them. Ecological norms are all that is necessary.

However, three important problems remain:

1. *First, it is not particularly difficult to establish a consistent set of socialist propositions. It is, however, terribly difficult to bring them about in reality.* A socialist program cannot be imposed by government fiat because that is a self-contradictory target, and the disastrous failures of such attempts all around are a sufficient reminder. A laissez-faire socialist development may be a very roundabout affair. Thus, the program must be tailor-made for every country in particular.

2. *In Sweden, public discontent has been growing for some years now.* That is due not only to the fact that large government and ubiquitous trade unions get bureaucratized. People gradually become fed up with somebody making decisions on their behalf and tutoring them from the cradle to the grave—even if that is very beneficial to them. Healthy men and women need challenges in their life to be met by their own efforts. A superficial answer is liberalism. A more adequate answer has yet to be found.

3. *Finally, no country is big enough to build socialism all by itself.* The international environment is not socialist, although the European Community might by necessity begin to move in that direction. The international capitalist pressure is perhaps the strongest obstacle for socialist development anywhere.

To Our Contributors

Because *Dissent* is usually quick in responding to submissions of articles, we cannot acquiesce to multiple submissions. They are a bad idea in principle, and they tend to waste the time of our editors who work in their "spare time." Henceforth multiple submissions will be automatically rejected.

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Gus Tyler

Capitalism doesn't work: the 1930s proved that. Communism doesn't work: the 1980s proved that.

So what works? Socialism—of the democratic variety, of course.

But, viewed concretely, as it is applied in practice, what is socialism today? The answer is—the mixed economy.

Theoretically, that simplifies the problem. All we now have to do is to mix X parts of socialism with Y parts of capitalism to get the right prescription.

The search for the magic formula is on. Nothing can stop it, for it is in the nature of the human mind to believe that if there is a definable problem there is a findable answer. Without that conviction—be it myth or not—humans cannot act. The notion that we are helpless, playthings in the hands of an irresponsible Fate, is intolerable, at least to the Western and the Westernized mind.

So, comrades, on with the search. Without it, there is nothing. And with it, there will be something.

But something is not everything. "Something" carries us from one moment, one era, perhaps even one system, to the next, but it does not carry us to the "end of history," because there is no end.

Yet the notion that there is an "end" is implicit in classic socialism, defined as the collective ownership and democratic control of the socially necessary means of production and exchange. Prior to the coming of this socialism, history was a battlefield strewn with the carnage of class struggles. No exception to the rule: "The history of hitherto existing societies is the history of class struggle." But when the proletariat takes over and establishes the classless society, the class struggle will end: the dynamic that drove history will die.

In holding to this faith, Karl Marx was more Jewish than he knew. He believed in a Messiah whose name was Proletariat and Marx was his Prophet.

For Marx to think—or feel—as he did, should come as no surprise. His "scientific" socialism was the child of the age of "science," when that word was almost synonymous with "certainty." Like Einstein, Marx could not believe that "God's" universe is as chancy as dice: things happened in obedience to Nature's law. Like Einstein, too, he probably would have been appalled by a Heisenberg and the concept of uncertainty in the natural world.

For Marx, as for most of the great thinkers of his time, it was logical to translate the "laws" of the physical world to the world of social relations. Hence, both he and Engels looked upon their concepts as the social application of Darwin's theory of evolution. Inevitably, capitalism (the ape?) would evolve into socialism *(Homo sapiens?)*.

This made Marx a "determinist." And, with his eye fixed on the economic factor in human behavior, he was an "economic determinist." The outcome of the struggle between the capitalist and the proletariat was as predictable as the outcome in the laboratory when two parts of hydrogen are mixed with one part of oxygen. You get water and not a gin martini.

Marx was also an Aristotelian. He described the great Greek as a "thinker who was the first to analyze so many *forms* [my italics] whether of thought, society, or nature." Like Aristotle, Marx thought in terms of forms such as capital*ism*, feudal*ism*, commun*ism*. They were all "systems" (sort of generic abstractions), the first two of which were challenged by the "seeds of destruction" they carried within them, the third of which, presumably, would go on forever, because it did not spawn elements destined to destroy its creator.

Is Marx valid today? Yes, if we allow for the factor of uncertainty and if we admit that there are, in the real world, no pure forms. It is not true, for instance, that "a rose is a rose is a rose," for every rose is unique, probably without an exact replica ever. The notion that a "rose is a rose" is an invention of the human mind, since a "rose " as a generic concept is a nonexistent thing put together by the brain to make it easier to classify objects.

The Aristotelian method of playing around

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with "forms" is very appealing to intellectuals, who are often more at home with the abstract than with the concrete. Forms, especially when they become formulaic, make the equations simple. Unfortunately, too simple. Life in the concrete is far more diversified, complex, unmanageable than life in the world of conceptual artifacts. In the stubborn realm of reality, the equations often contain more unknowns than there are letters in the alphabet.

In the Aristotelian world, these "unknowns" do not appear in the equation as variables but as constants. They are "knowns," considered to be as tangible as if they were made of stone or concrete. When it turns out that the rock is really mush and the immobile is really mobile, the results baffle. For example:

Marx posited the class struggle as a "known" fact of life. He also assumed the steady and inescapable "immiseration" of the masses as a "known." His conclusion was an apocalyptic ending with the chiliastic. He apparently did not allow for the fact that the proletariat, in its struggle, might (an unknown) violate the "iron law of wages" and might (unknown) find life less miserable—precisely because the proletariat enjoyed a measure of success in the class struggle.

Ironically, in the *Manifesto,* Marx sets forth a series of "immediate demands" that fall short of socialism. But, if each of these was realized, as most of them were in the first half of the twentieth century, then the "immiseration" of the proletariat, that *sine qua non* of the revolution, would not be part of the equation.

That the "State is the Executive Committee of the ruling class" was, to Marx, a "known." He did not, could not, allow that the proletariat might have some seats in that committee or that the proletariat, in combination with other societal elements, might actually become the majority. The notion of a capitalist economy operating in a state where the proletariat was the Executive Committee (as in Sweden) was, to Marx, the Aristotelian, a logical impossibility.

As we move into a new century, it would be timely to make two small adjustments in Marx: first, instead of economic determinism, substitute societal indeterminism; second, instead of "forms," substitute norms to guide human behavior—individually and collectively.

All of the above is a plea to say farewell to hubris. It does not mean that we should avoid the battle with the bad. It does not mean that we should not plot and plan, scheme and strategize, protest and contest to do what is best and right at the moment and, as best we are able to see into the future, what is best in the years to come.

It does mean that we are not omniscient. Since Heisenberg, even God is no longer all-knowing. It does mean that into each utopia some chaos will fall. It does mean that the ethical impulse for the just society—economically, culturally—should be encouraged, applied, and pursued persistently in a world that will be changing unpredictably and unrelentingly.

It means that we must tap the human's "social instinct" (whether we believe, with Aristotle, that it is inherent in man "by nature" or, with Darwin, that it is the outcome of "natural selection" or, with Adam Smith, that it is God-given) to maximize man's humanity to man by fostering a societal environment (environments) in which that instinct may flourish. It also means that we dare not close our eyes to the darker side of the human, the antisocial instincts that a Hobbes, a Freud, or a Hsun Tzu believed were inherent in the species.

In a very profound sense, the mixed economy is a recognition that the biologic biped is also psychically bipolar and that humankind will go on for the foreseeable future trying to find the balance between id and super ego, between capitalism and socialism, between the capacity to produce and the propensity to consume, between the private and the public sectors. In our firm resolve to find the "right" mix, let us silently understand that there is no fixed formula and that there is no "*final* conflict," just a continuum of contests, consensus, dissent, and consent. For as Thales said: "The only constant is change." □

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Jeremy Larner

WILD FOR SALE

Three middle-aged friends emerge from a movie cubicle in a postmodern pink stucco cinemadrome, where they have just seen the latest David Lynch film, Wild at Heart. *Crossing the Culture Center, they confront twenty-three restaurants and food shops and, after some confusion, sit down at an open-air cafe across from a museum where Robert Mapplethorpe's photographs are on exhibit.*

A waitperson introduces himself. The three friends order decaf espressos. One is a suburban yuppie management consultant, with an M.B.A. and a Porsche; he views movies and art as entertainment. The second is a psychiatrist, good at what he does, interested in art as the play of personality. The third is a liberal critic, intensely concerned with good and bad work, authenticity and wholeness. Once upon a time, these three graduated from Rutgers together, with honors.

Because life has brought them to a mall in California, they sit beneath a swinging sign proclaiming, "Irony Illegal."

Liberal Critic. I have to say, I feel physically sick. I've been sucked in and mugged, just as I was by "Twin Peaks." Frame by frame, moment by moment, Lynch's films seem so original, so skillfully done, that I find myself making excuses for the crudity. For the first hour, whenever he overdid the violence, I tried to believe I was seeing a very original, very sly comedy. . . .

Suburban Yuppie. You were. What else could it be?

L.C. Oh, it pretends to be a great deal more. The dialogue is heavy with portent, the camera lavishes intimate close-ups, the music throbs with melodrama. The director is advertising his profundity, inviting us to see how he deals with death, love, and evil. But the story is only a progression of more and more fantastic degradation. The viewer loses the power to respect or care about the imperiled lovers. The secret of every character is a need to defile himself or herself—or others. By taking Lynch seriously, we are drawn in to a nasty world of meaningless illusion.

S.Y. How could you take him seriously? The exaggeration lets you laugh. Go ahead—laugh at the stupidity and ugliness of the world. That's what movie comedy is all about and has always been about.

L.C. No, there is a delight here in pain. How about the scene where the lovers come upon Sherilyn Fenn, stumbling around in the middle of nowhere bleeding to death after a car accident, still making hysteric excuses to her dead mother?

S.Y. Right, it's so overdone, it has to be funny. In the movies, death can be funny. That scene is preceded by a vision of the Wicked Witch from *The Wizard of Oz.*

L.C. Yes, the Oz references run pretentiously throughout the movie. But they're not comic; they're ominous and silly, making the story and characters look ridiculous. And I don't think, by the way, that bloody accidents are funny. They're exploited for shock value, as they are in horror films. Lynch tries to have it both ways: he creates an atmosphere of mystical significance, but if you take him seriously and look for meaning, you'll hear you've been watching a comedy. If you start to laugh, you'll choke on genuine gore.

Shrink. It's disturbing, just as our lives are. At any moment we may be pulled up short by drastic changes, absurdities, violence. We see outrageous events each night on our television screens, and we don't know whether to laugh or cry. These possibilities are brought to mind everywhere, but it's impossible to square them with our daily routines. The symbols that flood our emotional landscape are in themselves ridiculous and simplistic, but their total effect can be overwhelming. We have to integrate images of extreme terror or romance with driving to work and putting out the dog. I think Lynch has worked out a style of conveying our unconscious hopes and fears, which are naïve, perverse, and grandiose—and take forms that don't neatly correspond to their contents. Lynch does kissing, for instance, with hunger and fear and ominously swelling music. Sex itself is either a grotesque assault—as with Laura Dern and her father at the beginning of the film—or the heroic

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consummation of destiny—as with Laura Dern and her true love, Nicholas Cage. What Lynch is showing us is the externalization of inner life.

S.Y. Hey, it's just for laughs! Didn't you hear the audience laughing?

L.C. Out of sick embarrassment.

S.Y. I can't believe you guys. You see a romp and you take it seriously. You're getting old. Kids are used to exaggerated violence and a weird array of sounds as part of their natural idiom. They know what Lynch is saying. The world is wild and crazy, always has been. There's nothing to integrate. You do your job, you love your family, you go to a horror film and let it all hang out.

Shrink. I agree, laughing is a way of handling pain. The movies can provide a safe place for that. That's why people cry at happy endings, incidentally. What safer moment to cry?

S.Y. You're overanalyzing, reading in your own philosophy. And you exaggerate yourself when you say the Laura Dern character was raped as a child by her father. She tells Cage it was her uncle.

Shrink. She tests him with confessions as they make plans to escape her murderous mother. But the flashback clearly shows her father, the same man whom the mother has burned to death by the Mob. Dern also says on the sound track that her mother comforted her, but we see no such thing. These are false memories to exonerate her terrible parents. The mother goes right to the attack—just as she later tries to kill Cage because he accidentally witnessed the father's murder.

L.C. What you've just described is the beginning of a ludicrous soap opera. The characters are either innocents or psychotic criminals.

Shrink. I saw the film as a parable about innocent love in a world of trauma. Remember at the end, when Cage gets out of jail, he feels he will ruin Dern's life, but after he says goodbye and walks away, he is mugged and beaten by three hoods. He thanks them for teaching him something valuable about love.

L.C. That it's better than a sharp stick in the eye?

Shrink. It's the best we can do, and if you've got it, you had better hold on to it.

S.Y. My favorite R 'n' R song. (Sings.) "Just hang on/ to what we got/ don't let go/ cause we got a lot. . . ."

At this point, a young woman wearing a miniskirt over tight pants and under a medley of T-shirts, approaches them. It is the Liberal Critic's daughter, on vacation from Yale, come to pick up her father, who has never learned how to drive. She hesitates, hearing the strange sixties song of the Yuppie, concerned that someone she knows will see her with these balding men in button-down shirts, jeans, and dirty sneakers, and think she is part of their conversation. Finally she takes the fourth chair, adjusting it so that she faces away from them, as if she were merely sharing their table—and lights a cigarette. Her father barely nods to her as he presses on urgently.

L.C. These are not just innocents. You forget that Cage killed a man at the beginning, going way beyond self-defense in a homicidal frenzy. And how the camera relishes the crunch of that black man's skull into the wall, how it shows Cage pounding his head against the marble floor from an angle that makes the blood spatter toward the viewer.

Shrink. The man was hired to kill him. He accused him in front of Dern of intercourse with Dern's mother in the men's room. We later learn that Cage was falsely accused—the mother made aggressive sexual advances, then threatened his life.

L.C. And when she says he's a piece of shit, we are treated to a close-up of a filthy toilet. Is that funny or profound?

S.Y. It's hilarious. Kind of a parody of people like Godard or Bergman, who are so self-conscious they dance like elephants.

Shrink. These lovers are innocent, they react very naturally, but they're understandably confused and full of weaknesses, just as you or I. They're frightened, they overreact, but they know their lives are on the line.

L.C. Why not say the psychos in the picture are understandably confused and overreact?

Shrink. Why not? They're human, too. People like them may run governments. But they don't love, so they're stuck in receiving and inflicting trauma.

S.Y. But it's all a parody—especially the Elvis songs and the stuff about true love.

L.C. Lynch wants it both ways—to parody and to have his parody taken as portentous.

Shrink. The exaggerations are comic, but to laugh too hard is to laugh at the dreams and terrors of ordinary people. Most people do seek true love—with all sorts of overblown romantic imagery that may lead to disaster. And if you go out at night in America, you will see both dangerous types and sad, addicted zombies. This world of violence and perversity is visible everywhere and part of every American's fantasy speculations, yet few writers or moviemakers have been able to convey the absurd tenor of its wildness.

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L.C. This brings us to the key scene, the moment I'd been dreading without knowing it. It's a tribute to Lynch's guile and my gullibility that I didn't walk out before then. The little creep with the nightmare mouth, Willem Dafoe, knocks on the door and Dern lets him into the motel room, though she's wearing only bra and panties. The creep says he can fuck her if he wants to—and you're dying for Dern to slug him or scream—but instead he presses close to her side, puts his leering face to hers, fondles her groin, and prompts her to say "Fuck me!" He says it over and over, as the camera lingers on his hand. You see her face in agony, but she's getting turned on! Finally you see her hand press on his and hear her voice, sure enough, murmur, "Fuck me."

Then the creep laughs and says he'll come back later, he's too busy now to do it. I felt at that moment Lynch had lured me in and held me like the creep grabbed the girl and tricked me into experiencing her degradation.

S.Y. The audience howled with laughter. It was unreal—a cheap thrill—great acting—how could you take it moralistically?

Shrink. He told you, he moralized to avoid experiencing the girl's pain. She was an abused and molested child; it makes sense that she might not stand up to assault. Lynch invoked the abused side of all of us—many laughed, a few moralized.

L.C. I'm not moralizing—I'm reacting to the erotic lushness of Lynch's style. He invites us to *glory* in pain, to be aroused by it! I see the same thing in fashion photos in *Vogue;* I see it in television ads for perfume and athletic shoes; I see it in rock videos, in urban thrill killing, and in so-called Democrats outscreaming the Republicans for the state's need to exterminate criminals. If you want to psychologize, we're seduced by the texture of television, movies, and so on, into identifying with the oppressor, relishing his masterly style in fantasy, while we live lives of passive consumption and public lying, cheating, stealing, bribery, murder . . .

Daughter. *(Interrupting, without turning her head)* Daddy, you're ranting again. All of you think you know what that film really is, as if anyone could define reality. You want to rank every flick in the hierarchy of bourgeois commodities. Really, this is Humanities I-A, Aeschylus to Woody Allen. You haven't read the basic critical texts. The movie is a construct in your own heads. Just deconstruct it, and you'll have nothing to quibble about. Frankly, I'm bored to death by the power babble of patriarchal intellectuals, arguing about who defines right and wrong and who gets to play God. It wouldn't occur to you you're all making the same assumptions. It's like you're characters in a movie by David Lynch. If you want to get outside that world, you have to listen to a Third World person or a woman, someone you've oppressed and pushed outside. They're the only people who can have perspective.

* * *

A hush falls over the table. The Yuppie regards the daughter with cheerful amusement, seeing her as one more of life's weird entertainments. The Shrink smiles amiably, keeping his lips together so as to show no teeth. The Liberal Critic rests his forehead on the saucer that once held his espresso cup.

The daughter stubs out her butt, rises.

* * *

Daughter. I've got a plane to catch.

Shrink. Good to see you, Melissa.

Yuppie. Got a job interview?

Daughter. Among other things.

L.C. She's an intern this summer at Time–Life–Warner Brothers.

Daughter *(over her shoulder)* A reader.

She walks firmly across the mall to her Honda Prelude, her father slouching head-down, behind her, as if dragged on a chain. □

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LIPSTICK TRACES
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Anne Frydman

THE MURDER OF ISAAC BABEL

In the Soviet periodical Ogonyok *(Number 39, 1989), an article about the last days of the great Russian writer Isaac Babel appeared, based on documents kept secret until now in the Lubyanka Prison and only recently accessible "in the light of* glasnost." *The documents were reviewed and the article written by Vitali Shentalinski, deputy chairman of the All-Soviet Commission on the Artistic Legacy of Suppressed Writers. This commission was created in December 1988 by the literary community in order "to carry out the enormous task of searching archives and documents, of preparing works and documents for publication, and of keeping alive the memories of innocent writers who suffered" under Stalin. Shentalinski's article describes the contents of the folder marked "Case #419, I. E. Babel" and offers some commentary. It is summarized here and set as much as possible in the form of a chronicle, from the time of Babel's arrest until his end, and somewhat beyond.*

Arrest

Babel was arrested on the morning of May 16, 1939 [the correct date is May 15], at his *dacha* in Peredelkino, to which he had recently moved from Moscow in order to complete a new collection of short stories. A search of his apartment in Moscow was carried out simultaneously with his arrest. All his manuscripts were seized. File #419 contains a record of what was taken in the search apart from correspondence and photographs: (1) fifteen folders of manuscripts, (2) eleven notebooks, and (3) seven notepads.

There is also much evidence in the file, as Shentalinski points out, of the prevailing illegality of all such police action. In Babel's case, his arrest warrant was signed by Beria thirty-five days after the actual arrest, and after May 15 testimony was quoted from men who were themselves under interrogation and eventually shot. At least two claim to have met Babel at the evening soirées of Evgeniya Solomonovna Ezhova, the wife of NKVD Chief Ezhov, who was arrested in April 1939. She committed suicide. Babel is quoted as saying at one such soirée, "A writer should write sincerely, but what he writes most sincerely cannot be printed, as it will not be in harmony with the Party line." The same person claims that he felt he ought to at least publish something, as his silence was becoming an openly anti-Soviet act. Another source supposedly quotes Ezhova as saying that Babel was involved with Ukrainian and military Trotskyites, and that the arrests of each of them made Babel's arrest more certain and necessary, and that the only thing that could save him was his fame in Europe.

The Investigation

The Lubyanka Prison, 2 Dzerzhinsky Square. The inner prison of the Central Office of Security.

May 29, 30, and 31: the first interrogation. Shentalinski speculates that these were likely the most terrible days of Babel's life. "At first he admitted to no guilt, then later he suddenly confessed. . . ." (The *Ogonyok* article has a photograph of Babel from the case file labeled "the last photograph of I. Babel"; it is obvious from it that he had been beaten and that his glasses had been taken from him, if not smashed, which would have left him hardly able to see.)

Babel's testimony at this time includes admission of a long association with Trotskyites, most notably Voronsky, editor of the literary journal *Red Virgin Soil;* of accepting Trotskyite influence on his work (such as emphasizing the cruel and absurd aspects of the Civil War in *Red Cavalry,* rather than the inspiring example of the united Red Army on the Cossack consciousness, or departing from Soviet reality in *The Odessa Stories*); of having anti-Soviet conversations with prominent artists, such as Olesha, Kataev, Mikhoels, and Eisenstein; and of

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establishing espionage connections in 1933 through Ilya Ehrenburg with the French writer André Malraux, to whom he passed information about the state of the air force, government spending, arrests made, the mood of the intelligentsia. Many questions were put to him about his visits to Paris.

June 15: interrogation. The investigating officer, named Serikov, appears intent on extracting information about terrorist activity, and he succeeds. Babel's testimony is about Ezhov's role in planning the assassinations of Stalin and Voroshilov. (Shentalinski comments that Babel appeared to be agreeing to everything they seemed to want to hear.)

June 19: the indictment is read. Babel is accused of violating four articles of the criminal code in full knowledge of the crimes.

June 25: interrogation. Serikov seeks to build up the accusation of spying. Babel testifies about foreign friends, about meetings with Malraux in France in 1935 and then in the Soviet Union in 1936.

The case could now be brought to trial, but for some reason nothing happens for almost two and a half months. In August, Serikov writes for an extension of the investigation until September 10: "In the Babel case it is still necessary to determine foreign contacts, document criminal activity and also map out the line of attack." Then Serikov suddenly disappears and three new figures come forward to handle the investigation—one Kuleshov, Lieutenant Akopov, and Captain Rodos.

In August Babel writes a letter to Beria requesting that he be allowed to put his manuscripts in order. "They contain drafts of sketches about collectivization and about the *kolkhozes* of the Ukraine, materials for a book about Gorky, drafts of a few dozen stories, a half-finished play, a finished version of a scenario. These manuscripts represent eight years of creative work, part of which I had expected to prepare for publication. . . ." The request was denied.

October 10: Akopov summons the accused for interrogation. Shentalinski comments that it turns out to be the crucial moment of the case. Babel denies all his previous testimony. A statement is recorded: "I ask this inquiry to take into account that though in prison I committed a crime: I slandered several persons. . . ."

The investigation's work is now wrecked. It is necessary to extend the term of investigation again.

For the "new" case against Babel, testimony is drawn: From the May 11, 1939, interrogation of Ezhov (sentenced to be shot), in which he says that, he reckons likely, both his wife Evgeniya Solomonovna Ezhova and Babel were linked to espionage on behalf of English intelligence; from the July 7, 1937, interrogation of N. N. Zarudin (sentenced to be shot), in which he claims that Babel was one of a number of writers influenced by the editor Voronsky to feel "hatred and enmity toward Communist Party leaders" and that Babel was to have taken part in terrorist activities; from the December 11, 1937, interrogation of the writer Boris Pilnyak (sentenced to be shot), quoted as, "He, Pilnyak, agitated on behalf of overt Trotskyites such as Voronsky, Seifulina, Babel, and others. When Voronsky was in exile, Babel and Seifulina travelled to see him in order to get instructions"; and from the July 26, 1938, interrogation of A.I. Stetski, former head of the Central Committee Department of Culture and Propaganda (sentenced to be shot): "I worked with writers in an anti-Soviet spirit, setting them—Babel among them—in antipathy to the Party line."

Only a few more additions and the new bill of indictment is ready. Babel is charged with being an active member of a counterrevolutionary Trotskyite organization, conducting spy work on behalf of Austrian and French intelligence, and planning terrorist acts against Party and government leaders. Differing little from its previous version, Case #419 is ready to be sent to the chief prosecutor to be tried. There is again an unexplained delay of a month.

November 5, 1939: Babel writes an appeal to the chief prosecutor. The note is on a scrap of paper, written in an uneven hand. "To the Chief Prosecutor of the Soviet Union from I. E. Babel, under arrest, former member of the Soviet Writer's Union.

"It has become known to me through the words of those questioning me that my case is to be reviewed by the Office of the Chief Prosecutor of the USSR. I wish to make a statement that bears on the essence of my case and that is of unusual significance to it, and therefore I ask to be heard."

November 6: The note is sent off by the prison's chief administrator. (There will be no reply.)

Babel's widow, A. N. Pirozhkova, recalls in her memoir that before the November 7 holiday a young NKVD officer came to the Moscow apartment with a request for pants, socks, and handkerchiefs to be taken to Babel. Several such articles of clothing had been hidden during the May 15 search, when everything of Babel's was removed, and Pirozhkova now sends them doused with perfume, "to send Babel greetings from home, . . . at least a familiar scent."

November 21: Not having received an answer from the chief prosecutor's office, Babel writes there again, again on a scrap of paper and in an equally unsteady hand. "As an addendum to my communication of November 5, 1939, I write a second time to

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request to be summoned for interrogation. In testimonies I gave, false and fictitious assertions are included ascribing anti-Soviet activity to persons honestly and selflessly working for the good of the Soviet Union. The thought that my words not only serve to hinder this investigation but might bring my country direct harm causes me unspeakable suffering. My primary obligation as I see it is to remove this terrible stain from my conscience."

December, 1939: The Lubyanka no longer accepts money intended for Babel. He has been transferred to Butyrka Prison, and from there he sends a third letter to the chief prosecutor. "In the inner prison of the NKVD, two statements were written by me addressed to the Soviet Chief Prosecutor—on November 5 and November 21, 1939—about the fact that in my testimonies innocent people have been slandered. The fate of these communications is not known to me. The thought that my testimonies not only do not serve the matter of clarifying the truth but are leading the investigation to mistaken conjectures torments me unceasingly. . . . I ascribed anti-Soviet acts and tendencies to the writer I. Ehrenburg, T. Konovalov, M. Feierovich, L. Tumerman, O. Brodskaya, and a group of journalists . . . . All this is untrue and has no basis whatsoever. I knew these people to be honest and staunch Soviet citizens. The slander was called forth by my faintheartedness during interrogation."

January 25: On the day before the appointed court session, Babel sends a statement to the Military Tribunal of the High Court. "On November 5 and November 21, 1939, and on January 2, 1940, I wrote to the Soviet Chief Prosecutor that I can make a statement succinctly pertaining to the heart of my case and to the slander I committed in my testimony to a number of entirely guiltless people. I am petitioning that the Prosecutor hear out all that regards these statements until the matter be resolved."

He also asks that people who know him well—including Voronsky, Ehrenburg, and Seifulina—be called as witnesses and that he be given the chance to acquaint himself with the case being made against him. None of his requests is granted.

January 26: The trial is held in Beria's office in the Butyrka Prison. The judges consist of a "troika" of experienced men, including a military judge. The time allotment for each case is twenty minutes.

Babel is brought in, the accusations against him read. He is given the chance to speak. "I am not guilty. I was no spy. I never tolerated a single act against the Soviet Union. On certain occasions while giving testimony I cast aspersions on myself. I slandered myself and others under duress."

No consideration is given to what was said. The sentence—that he be shot—had been decided beforehand, as Shentalinski comments.

A statement that is clearly included in File #419 is quoted: "The sentence was carried out on January 27, 1940, in Moscow. Information concerning place of burial is not available."

What follows is a summary of the process of Babel's "rehabilitation."

January 25, 1954: A. N. Pirozhkova, Babel's widow, writes to the Soviet chief prosecutor requesting that Babel's case be reviewed. She informs him that up till then she had received word each year that he was alive and being held in a labor camp.

June 1954: A military prosecutor who has undertaken the review of Babel's case summons Pirozhkova. He expresses his opinion that the case made against Babel was "utter nonsense."

July 1954: Three letters recommending rehabilita-

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tion, as required, were obtained from Ekaterina Pavlovna Peshkova (Gorky's widow), Ilya Ehrenburg, and Valentin Kataev.

December 18, 1954: The Supreme Court of the Military Collegium declares that no evidence of guilt on Babel's part can be established, and notes further that two of the investigators involved with the case, Rodos and Shvartzman, had been arrested as falsifiers of information.

January 1955: Although the date of Babel's execution had appeared in the file of rehabilitation, now the military prosecutor announces to the military division of prosecution that Pirozhkova is to be informed that Babel died on March 17, 1941, while being held in prison. (This becomes the date found in all encyclopedia entries about Babel.)

January 24, 1964: The military prosecutor writes to the KGB requesting Babel's seized manuscripts. The answer: "This is to inform you that manuscripts and notebooks are not preserved."

At present the KGB maintains that there are no Babel manuscripts in existence. □

Cuthbert Daniel

Why Did We Make The Bomb?

Why did we make the Bomb? The question is, of course, naïve. There was no single reason. Nor could there be a one-word answer, such as fear or deterrence, or a two-word answer, for example, unjustified fear, that would be informative. The simplest and most frequent answer seems to be "as a deterrent or counter-weapon to the threatened Nazi bomb." And this was the most common reply in the 1940s, too. The impression was widespread that the Allied forces were in a race with the Germans that could well determine the outcome of the war. A few minds, even in 1940 (Bohr's, Szilard's), saw that the possession of A-bombs by two or more states might well serve as mutual deterrents, with each side fearing reprisal.

But for this possibility to become a reality, more than multiple possession would be required. It would require a high order of rationality on all sides. No madmen allowed. Even so, many credit the relative peace of the last forty-five years to the existence of two opposing stocks of nuclear weapons. Different experts have guessed at the number of bombs required on each side for assured deterrence. Early on, Hans Bethe thought that seventy-five to eighty would suffice. More recently Jerome Wiesner surmised that initial limits of one thousand units per side could probably be lowered. Today, for many, thirty thousand do not seem to be enough. In the face of such differences of opinion we must be dealing with different types of mentality, and tonnages are no longer relevant.

But to return to the primary question—Why did we? Rational people, invited to make or contribute to a major decision, might be expected to ask for justification or demonstration of need. Were we, in 1943 or any other time, in a race to the death with the Axis powers?

There were a few weak clues. Many physicists had chosen or were compelled to stay in Germany. A heavy-water separation plant had been discovered in Norway and partly destroyed. P. Debye, a distinguished Dutch physical chemist who had recently left Germany, said that the Germans were hard at work. Many notes and messages from anti-Nazi scientists and others in Germany had leaked bits and pieces about the "uranium problem." There were dozens of refugee scientists from the German-controlled countries who were in some communication with colleagues in Germany. They added details, but evidently all were too scattered, never adding up to an integrated picture.

There were at least three American espionage organizations (the Army G2, the Office of Naval Intelligence, and the Office of Strategic Services) and at least one British, M15, which were supposed to have active anti-Nazi connections. Their combined operations and uncooperative competition appear to have produced little but chaos, certainly no coherent information on any German nuclear program.

As for direct espionage, little is recorded. We had decoded two or more German military codes as well as one Japanese code, but the thousands of intercepted messages evidently gave no hint of any Nazi structures or depots. Knowing, as we must have known, more and more about the size of plants required for uranium and plutonium separation, we failed to spot either in messages or in thousands of overflights any evidence of the production of nuclear weapons.

In late 1943, General Groves authorized a mission, called ALSOS, to follow the advancing Allied forces, collecting documents, equipment, and any nuclear scientists.

The mission's military head, Colonel B. T. Pash, and its scientific head, S. Goudsmit, collaborated admirably but found little to have been alarmed about. Goudsmit's book, entitled *ALSOS* (Tomash Publishers, 1947, 1988), along with Pash's *The Alsos Mission* (New York: Award House, 1969), tell part of the story. In summary, the Nazis, arrogant at the beginning and nearly exhausted toward the end, were never ahead and lost ground steadily. There

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never was a German uranium project worth worrying about or worth spending a tenth of the effort in materials and manpower that the United States in fact spent.

Steadily from 1939 on, our large staff of physicists, chemists, and engineers was accumulating laboratory and pilot-plant evidence of the feasibility of controlled nuclear explosions. The more they discovered, it appears, the more worried they became about the activities of the other side. This reflected a sort of guilty conscience. Even though letters were regularly going through the German mail system stamped clearly "Uran-Project," we could not mobilize a single third-class mail clerk to intercept a few. (Goudsmit told me this in conversation, circa 1948.)

To quote Richard Rhodes's valuable *The Making of the Atomic Bomb* (1986):

> One of the mysteries of the Second World War was the lack of an early and dedicated American intelligence effort to discover the extent of German progress toward atomic development. If, as the record repeatedly emphasizes, the United States was seriously worried that Germany might reverse the course of the war with such a secret weapon, why did its intelligence organizations, or the Manhattan Project, not mount a major effort of espionage?

Thomas Powers, writing on "How the Bomb Was Kept from Hitler" (the *Atlantic,* May 1990), accounts for the persistence of the mystery (Why did we continue?) as due to the cooperation-in-silence of three groups, each with its own motives. First is the handful of scientists around Heisenberg and still surviving, second a similar group who worked at Los Alamos, and finally the British and American intelligence officers who were charged with keeping track of the Germans. The British sometimes refused to share their sources with the Americans. As a result we retained exaggerated fears of a German bomb program until late in 1944 and, prompted by these fears, mounted secret operations of a questionable nature that some still find it hard to discuss. All three groups that know best what happened have declined to speak clearly.

What are we to learn from this tangle of self-interested semi confessions, of persistent secrecy, and of obvious disinformation?

It is a tragic fact, but not an explanation, that so many of the best scientific minds in the world devoted so many years of their lives to making A- and H-bombs that were demonstrably not needed. The panic was reinforced by the military, by statesmen, so-called, and by industry. Each of these sections of society had its own reasons for going ahead, if ahead is the right word. The atomic scientists and engineers jumped at the opportunity to play a decisive role in winning a war that all agreed had to be won. The willingness of the military was hardly surprising. For once the Army and Navy could not be accused of refighting the last war.

We have learned, or should have learned, that our experts in strategy and in nuclear policy can hardly bear to start us in a rational direction. We have learned, we must learn, that our political leaders, elected and other, depend too much on polls of uninformed opinions, rather than stimulating us with real choices about major current military events. They do not tell us why we need thirty thousand or more nuclear warheads, or why a proposed mutual reduction of 30 percent serves any purpose beyond a practice exercise.

We have been lied to about the justification and about the continuing need for more A-bombs. While the champion liars have always been the Soviets and their allies, we have made our own considerable contribution. We must thank Gorbachev again, and Sakharov twice, and all the others too for their help in exposing the seventy-year campaign of Soviet deception. And at the same time we must expose the forty-year orchestrated panic of wrong-headed "improvements" of our own military establishment.

Each of us has a list of today's evils. I give my own short list in the hope that many readers will agree in general, perhaps with their own additions.

1. Nationalism, still spreading, engenders distrust. Cruel ideologies are used to justify cruel wars.
2. The "genocidal mentality" of which R.J. Lifton and E. Markusen write (*The Genocidal Mentality*, Basic Books, 1990) is latent in many, perhaps in all of us.
3. Corruption, greed and the impulse to torture are rampant and increase current misery.
4. Mainly because of these evils, even so technically simple a problem as worldwide control of the existing stock of nuclear weapons is beyond our present capability. But it is at least as much the will as the technical ability that is lacking.

Aware of all these evils and shortcomings as we are, it is suicidal to permit the existence of A- or H-bombs or of their key components. Their worldwide demolition plus world surveillance will not in itself guarantee military peace. But the development and enforcement of a rule of *no* nuclear weapons seems to me to be necessary, even if not sufficient for peaceful coexistence. □

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Regina Lawrence

AN EXCHANGE ON NICARAGUA

I have been a subscriber to your journal for over a year and have found it enjoyable and stimulating. However, the Summer 1990 issue contained an unpleasant surprise: a highly questionable piece by Paul Berman about the Sandinista loss in Nicaragua's February elections. I had looked forward to *Dissent,* thinking there would be an informative article about those elections and the context of intense U.S. pressure in which they were carried out. I instead found an attempt to paint the Sandinista defeat as having little or nothing to do with United States policies of aggression. This is a theme I could have found in my local newspaper; I hardly expected a journal named *Dissent* to echo it.

Among the many things wrong with Berman's article I would include the following: (1) He assumes that aid from sources other than the United States would have flowed at the same rate had the United States *not* blocked credits to Nicaragua. He does not acknowledge that Nicaragua had to actively seek aid from many countries after the United States blockade, and that some countries may have been more inclined to give aid precisely because they disagreed with United States policy. Therefore, his statement that "the actual effect [of the blockade] was to prevent capital from flowing at a higher rate than it did" is questionable. (2) Berman downplays the draining effect of the military budget required to fight the *contras* and to prepare for the possibility of United States invasion via Honduras (a factor most United States analysts tend to overlook that has been all too real for Nicaraguans), saying that "the effect of the defense budget was to limit what was nonetheless a growth in funds at the government's disposal." The effect of military expenditures on *any* economy is a highly debated subject, but it is certainly arguable that when 50 percent of a nation's budget is diverted to defense, the economy, especially an underdeveloped one, may be bled to death, regardless of how much foreign aid is forthcoming. Berman would do well to examine the statements of United States officials responsible for the military aggression directed at Nicaragua, for it was clear to them what the economic, and hence political, effects of the military effort Nicaragua required to repel that aggression would be. (3) In attempting to debunk the theory that the *contra* war caused Nicaragua's economy to sink, Berman ignores the quite interrelated effects of the economic aggression Nicaragua has experienced. For instance, he cites the 30 percent unemployment rate and says that it cannot be explained by reference to military enlistment, yet ignores its most direct cause: the devastating effects of the U.S. embargo, which overnight robbed Nicaragua of approximately 80 percent of its foreign trade. (4) Berman simplistically observes that after the "ceasefire" of 1987 (the families of people abducted, tortured, and killed by the *contras* after 1987 may disagree that a ceasefire was in place at all), the economy continued to decline, while, again, failing to note the most obvious reason for that decline. (5) Finally, Berman ignores the effects of military and economic aggression on the behavior of the FSLN, even though those in charge of that aggression openly stated that one of their goals was to bring about unpopular moves and repression on the part of the Sandinistas and thus create division in the country. This is not necessarily to excuse Sandinista abuses and distance from the people, but Washington's low-intensity warfare against Nicaragua should not be overlooked in explaining those phenomena.

Berman's generous observation that "democratic instincts have never been absent from the [Sandinista] Front" somehow manages to gloss over the reality of two very clean multiparty elections administered by the Sandinistas during their rule, in the last one of which they allowed a foreign-funded coalition to win and take power.

I am not opposed to Berman's criticism of the FSLN. All of us deserve criticism for something, and some of his observations were interesting. But Berman's article does nothing to enlighten the readers of *Dissent* about the politics and consequences of low-intensity conflict, which is slated to be the warfare of choice for the United States in the

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1990s, and of which Nicaragua has been a test case to which considerable resources have been devoted. The Sandinista electoral loss in February can at least arguably be examined in this light, and should be if we are concerned at all with United States foreign policy. I can say from personal experience as an observer of the February elections that for nearly every Nicaraguan I spoke with, regardless of his or her political standing, the major issues of this election were the draft, the war, the economy, the embargo, and relations with the United States. Berman is to be blamed for his quite selective attention to the facts surrounding Nicaragua's economic decline and the Sandinistas' ill-fated rule. But the reader should not have to submit a list of so many obvious shortcomings of an article found in your journal. The editors of *Dissent* are to blame for printing such an article.

Paul Berman Replies

In my article in the Summer 1990 *Dissent,* I outlined what went wrong with the Nicaraguan revolution under Sandinista leadership. The article was written in March 1990. Events since then have confirmed the gist of what I said. One of those events was an important meeting at El Crucero, Managua, June 17–18, 1990, of 300 Sandinista militants who issued a report on the election loss and other setbacks. Naturally, the Sandinista report emphasizes aggression from the United States. But it says more. I will quote a couple of sections from Part I, a discussion of policies during the ten years of Sandinista government:

> c) In many cases—although it was correct to plan profound changes that, in the last instance, responded to felt historical demands—practices of the socialist countries [meaning communist countries, of course] were reproduced that led us to single-party styles of political leadership of society, and an excessive emphasis on the control and the centralization of public management.
>
> d) The implementation of these policies was realized often in a coercive and bureaucratic manner. The model that we began to put into effect, with a socialist orientation chosen as a banner, contradicted, in practice, the program of reconstruction and national unity.

In Part II the authors of the report speak of "abuses and outrages" against the *campesinos* by the Sandinista People's Army and the Interior Ministry; the alienation of the small farmers by the state farms; the "forced purchase of basic grains at official prices"; the "errors" committed against the indigenous peoples of the Atlantic Coast; the "general hostility against merchants" (which means tiny businesspeople, not large corporations); and other errors. They conclude at one point:

> The negative phenomena which should be given up are:
>
> a) Authoritarianism.
>
> b) The lack of sensitivity in the face of the statements and worries of the bases [of the party].
>
> c) The muzzling of criticism.
>
> d) The bureaucratic styles of leadership and the imposition of directors and organizational planes.
>
> For example, the labor organizations had a very reduced space to develop themselves.

The example in the last sentence refers to the fact—undiscovered by sundry well-meaning delegations from the United States—that Sandinista unions were generally unable to choose their own leadership or make their own plans.

The El Crucero report is not internally consistent. The bulk of it contradicts the spirit of what I have just quoted. Yet such self-criticisms, stated so baldly with words like "authoritarianism" and "single-party styles"—this is something new. This vocabulary and these criticisms are, after all, what you would have read in past years in Violeta Chamorro's much-persecuted paper, *La Prensa*. I might add that even in the United States people who have used terms like those to criticize the Sandinistas have been hooted down at many a public meeting.

After what we have been learning about the economies of the East European bloc, can anyone seriously continue to assert that only U.S. aggression prevented the advisers from East Germany, the Soviet Union, Bulgaria, Cuba and other countries, who dominated Sandinista thinking, from achieving success in Nicaragua? The East German Stasi maintained a tutelary relation with Tomás Borge's State Security police in Nicaragua. Can anyone continue to imagine that ordinary Nicaraguans had no reason to fear the Sandinista regime? And there has been confirmation of my argument in other respects too. I have maintained for some time that Nicaraguan economic progress was rendered impossible not only by bad Sandinista planning and by imperialist opposition from the United States but especially by the government's inability to form a consensus among the people, which has led to continual destructive struggles.

Today the *contra* army has folded, the U.S.

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boycott is over, the United States has returned to sending millions of dollars (just as it did at the start of the revolution, before the direction of Sandinista policies was clear)—and *still* the economy is in a disastrous state. Mightn't that be because, among other reasons, there is still no consensus or proper rule of law able to achieve a consensus? Chamorro's government and its institutional supporters (the non-Sandinista unions, the organized non-Sandinista business community, the small political parties, the main faction of the Catholic Church, and so on) have found themselves with very little power. In its first months, Chamorro's government has faced a treasury looted by the outgoing government along with a wave of Sandinista privatizations of state property (to ensure that, in the style of East Bloc communists, good property will go to the people who have just been voted out of office); an inability to control the national police and army (which remain strictly under Sandinista leadership); an inability even to control the secret police (which far from having been disbanded, likewise remain Sandinista, though now under Humberto Ortega, not Borge); an inability to control the government bureaucracy, which is also Sandinista. The largest bloc of corporations and businesses remain strictly Sandinista. Humberto Ortega's Sandinista People's Army by itself controls a substantial number of businesses. In this context the government has faced three waves of strikes by the Sandinista public-employee unions (including one strike with a sharp insurrectionary quality) and a steady drizzle of Sandinista threats (principally from the Sandinista union leader Lucio Jiménez) to stage some sort of coup d'état. This may sound improbable from afar, and is in fact almost inconceivable—but it has succeeded in creating a mood of fear and intimidation. In short, Nicaragua's political structure is in a peculiar way coming to resemble that of otherwise utterly different countries like Guatemala and Honduras, where the army dominates the elected civilian governments. And sure enough, under those circumstances, not even the combined support of the United States and the Soviet Union is much help, and uncertainty and strife continue to undermine any possibility of economic growth.

As I write (in late October 1990), the situation looks exceedingly grim. The anti-Sandinistas won the election because of a popular outpouring, not because of any institutional strength. The organizations of the non-Sandinista left and of the more-or-less authentic democrats remain weak. The principal newspaper of the democratic left, *La Crónica,* which was part of Chamorro's coalition, has folded. Chamorro's government, true to the worst predictions, has shown a disposition toward the kind of backroom dealing among rival elites (in this case, between her own technocrats and General Ortega) that has always debilitated democracy in Nicaragua and is likely to inhibit the growth of grass-roots democratic institutions. The weakness of these institutions is precisely what has continually allowed dictators to come to power. Anti-Sandinista uprisings are likely.

If anybody controls the destiny of Nicaragua, it is, therefore, the Sandinistas themselves, whose institutions are anything but weak. Certain passages in the El Crucero statement—though not the bulk of the document—show that some of the leaders would probably like to switch to a more democratic left. There are many factors inhibiting such a development—ingrained ideology and, above all, the institutional structure of the Front, which would have to be dismantled in some degree for such a switch to have any meaning. The Sandinista People's Army—to name an obvious problem—has already been reduced by Chamorro to almost a third of its maximum size, yet is still more than four times larger than was Somoza's National Guard. Obviously the Sandinista army will have to be reduced further, and should in fact be abolished altogether, if Nicaragua is to enjoy a healthy economy, stable democratic institutions, and a nonmilitaristic political culture. But even in its reduced state, the Sandinista army may well account for up to half or even more of the full members of the Sandinista Front. Dismissing a large number of army officers means crippling the Front. Will the Sandinistas agree to that? The army happens to be the political base of the Ortega brothers vis-à-vis their internal competitor, Borge's harder-line faction. Will the Ortegas allow their base to wither away?

There is reason to be pessimistic about Sandinismo's transition into a democratic and civilian movement. Yet the Sandinista Front contains many serious and idealistic people, some of whom are obviously trying to absorb the (to them) shocking news about their lack of public support. Much of the Fidelista, Leninist, and oldline communist left in Latin America did manage to modernize itself in a democratic way during the course of the seventies and eighties. In Nicaragua, elements of the non-Sandinista Marxist left (for instance, the formerly Moscow-line socialists, now largely social democratic) have taken such steps during the last few years. The Sandinistas themselves, apart from one small splinter faction, were prevented from doing so partly by their own apparent success. Now the appearance has changed. □

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Ann Snitow

TALKING TO THE BROTHERS

JUSTICE, GENDER, AND THE FAMILY, by Susan Moller Okin. Basic Books, 1989. 216 pp. $19.95.

Justice, Gender, and the Family hopes to continue work that political theorist Susan Moller Okin began in her useful *Women in Western Political Thought* (1979). The earlier book was a history of theoretical justifications for the exploitation and hatred of women from Plato (the hero of the book because of *Republic V*) to John Stuart Mill (another partial hero), with the nadir lying in a long trough between Aristotle and Rousseau.

This account was lucid and thorough; Okin redid philosophy and poli-sci 101 from a feminist perspective. Her sense of audience was inclusive: the students in 101 could profit and so could their professors, social philosophers working in the tradition without any self-consciousness about gender. *Women in Western Political Thought* was part of the basic reassessment of the canon going on in the late seventies. Those years—and that kind of work—laid out possible new maps for the academic disciplines.

Ten years later Okin's second book records an impasse. In these years, political science has flourished, but without incorporating feminism. Other fields—literature, history, anthropology—have responded to feminist questions, sometimes with enthusiasm. But though there are feminist political scientists, political theory has largely remained a male bastion, resisting this monstrous regiment of women. Addressing essentially the same people as last time, now Okin defines and confronts an audience she despairs to reach. Instead of recognizing her discouragement, instead of exploring its possible meanings, she dodges its implications and writes a book in which feminism is flat and fixed, a righteous stick to beat bad boys.

She begins by saying she has a simple goal: to explain why no contemporary theory of justice can be rational or valuable that does not recognize gender as a central source of injustice and the family as a founding institution of that injustice. Why have men in her field resisted a truism so basic to feminist thought? Could it be because, as Okin writes, some academic feminism is now "too arcane to be understood even by most educated people"? Okin plans her own assault on the gates. Unlike those other feminists, she will be "accessible"; she will explain to contemporary male theorists of justice their multiple failures to take adequate account of gender.

Hence she has defined her audience as the brothers, by which I mean that complicated group of people related by field, interests, and shared intellectual traditions, some close and friendly, some hostile and abusive, but all family. Okin writes as if she is the only really present daughter in this family. She is angry—and there is no anger like anger in the family—but at the same time she is by right (and through struggles or compromises here unnamed) a part of her brothers' world. She shares their questions, categories, and worries. Their sexism poisons the well from which they both must drink.

Okin's central problem is how to make these brothers listen. Each one has a different deaf spot; some are incorrigible (for example, Michael Sandel in *Liberalism and the Limits of Justice,* Allan Bloom in *The Closing of the American Mind,* Alasdair MacIntyre in *After Virtue* and *Whose Justice? Which Rationality?,* and Robert Nozick in *Anarchy, State, and Utopia*), and some are either reformable or, Okin hopes, usable in the construction of a feminist idea of justice (chiefly, Michael Walzer in *Spheres of Justice, Interpretation and Social Criticism* and *The Company of Critics,* John Rawls in *A Theory of Justice,* and Roberto Unger in *Knowledge and Politics*).

Once one jettisons any expectation of either a book for those outside the family, or for a book that offers its own feminist theory of justice, and accepts instead that Okin is head-to-head in a family quarrel, one meets with some interesting analysis. For

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example, she offers a strong argument against the idea that families don't need justice because they are governed by love (Michael Sandel et al.). Okin argues that love and justice are not on the collision course some male theorists fear. Indeed, she's suspicious of their fear of justice in the family: justice is basic, a without-which-nothing; love can be added to it without loss of spontaneity or generosity. Okin shreds the idea that all members of a family have a common interest and can act in the world as one without the need of any just rules among them.

But when she goes on to criticize the related theory (chiefly Allan Bloom's) that families are unjust by nature, an aggregate of unequals by definition, her arguments are less cogent. Understandably, she feels it should be refutation enough merely to quote Bloom's timeless claim that "nothing can effectively make most men share equally the responsibilities of childbearing and childrearing." But Okin's outrage doesn't adequately confront Bloom's disturbing observation that it may be possible "to soften men. But to make them 'care' is another thing, and the project must inevitably fail." Okin's book is itself an effort "to make men care," a project that needs much more analysis—and I think that conceals many more psychological and social difficulties—than Okin acknowledges. In her irritation, she simplifies, reducing feminism to a bland call for fairness, when, in fact, it sometimes asks for transformations here never even hinted at or named.

Her quarrel with Alasdair MacIntyre suffers from a similar limitation. Okin finds it enough to point out that the shared tradition on which MacIntyre wants to build his theory of justice, a complex historical composite of Aristotle, Augustine, and Aquinas, is sexist to its core. But to Okin's amazement, "MacIntyre presents, most of the time, a benign portrait of the three traditions he prefers to liberalism. . . ." She writes as if MacIntyre has somehow missed the enormity of the woman hating in the traditions he likes best. Surely an equally likely explanation is the one Bloom offers, that he *doesn't care*.

But this thought is hard to bear. Though Okin presents each of the incorrigible theories on her list as unhappy in its own way, cumulatively her criticisms coalesce in a single outcry: this one "neglects" women; that one "rarely acknowledges" their role in the social reproduction of justice; still another "ignores children and their rearing." The word "ignores" becomes a litany. The book becomes monochromatic, stuck. The male theorists have indeed repeated their act of ignoring women and the family. Okin's sometimes wearying repetitions are harder to understand; finally, they are the painful redundancies of her disbelief.

Certainly it is harder to argue with an "absence," with a "neglect," than with the unapologetically sexist theorists of the past. In her earlier book Okin could engage misogyny front on, but now sexism is more elusive. In one of her best discussions, Okin criticizes contemporary brother-antagonists for their modish pretense at gender neutrality. They ask their computers to sprinkle "he" and "she" randomly through their books, but, argues Okin, "she" never really appears, with her special work in the family. In fact, "she" and "he" are *not* interchangeable in a sexist society. Each pronoun has its own social history in relation to justice, while the brothers often assume justice is born full-blown out of the forehead of each citizen, that there is no psychology of justice, no process of reproduction by which ideas of justice are reborn and fostered in each generation. In her witty critique of the libertarian Robert Nozick, Okin keeps adding gender to Nozick's neutral propositions, until she has transformed his theory: his vision of liberty and utopia in which each one owns the products of "his" labor becomes instead a vision of "matriarchy, slavery, and dystopia" in which mothers own the children they produce as their slaves.

Okin's consternation feels right. The numbness of the modern brothers poses maddening new problems. What remains mysterious is her tone of surprise. Reading her, you would think male resistance to feminism is a discovery.

In fact, Okin's new book enters what is by now a well-established and honorable genre, the polemical critique of a male-dominated field. Judy Stacey and Barrie Thorne have done this for sociology ("The Missing Feminist Revolution in Sociology"), and Joan Scott has done it for history ("On Language, Gender, and Working-Class History"). Elaine Showalter has done it for English (in a naughty piece that compares male critics to Dustin Hoffman when he cross-dresses in *Tootsie*.) Books like Cynthia Epstein's *Deceptive Distinctions* are reports meant for audiences to whom feminism was still news in 1989. Finally, in a series of essays, Adrienne Rich took on the whole male-centered university.[1]

Though such field critiques can sometimes feel thankless, they belong in the category of political work. They serve their communities, engage them in political debates, sometimes with the far-reaching consequence of shaking the walls of the city. They

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meet the brothers where the brothers are, a necessary starting point.

At the same time, they are inevitably limited by their project of bringing light to the heathen. The discipline's starting point is often far, far away from the frontiers of feminist work. Feminist polemics risk reductionism: "Look, fellas, feminism is really very simple and self-evident."

Each writer finds her own solutions to these inherent dangers of the form. Stacey, Thorne, and Scott turn their attention to the history of their fields; they are analytical about just *how* sexism is reproduced there. Particular male theorists may be their examples, but their criticism goes beyond individual failures of insight and moves toward a description of male social power and the stake men might have in the "absences" in their work. Showalter solves the central problems of the genre by using irony; she deflates the male critics she suspects of appropriating feminism, "wearing a dress" as they continue to assume total control over the conversation. Cross-dressing is a tease, and in this metaphor Showalter gives shading to what really goes on between the brothers and the sisters in her field. The target of Adrienne Rich's polemic is all the fields in the university, and she solves the genre problem by refusing to address the brothers directly at all: if they would learn, let them do what women have always had to do—eavesdrop on another's conversation, listen in to a dialogue already in progress and not centrally about them.

In contrast, Okin has not faced these generic difficulties squarely. She has no sustained explanation for why men are so mysteriously ornery that they refuse to consider the family analytically. She can't debate feminism at its own current cutting edge; that would leave the brothers behind. And she can't tell them how complex the questions of family, female identity, and difference have become inside feminist work on psychology, philosophy, sociology, anthropology. That would only confirm the brothers in their belief that the whole project of changing the meaning of gender is hopeless.

If Okin has a strategy, it is to survey the field as she finds it, in all its utter ignorance of feminism. Though this is a service to all who teach the currently canonized modern texts, this strategy also has the odd side effect of perpetuating the high boundaries around justice theory. When feminism appears, it is usually banished to the footnotes, to the margins of the argument. Very few feminist voices make it into the mainstream of Okin's text.

Why doesn't Okin weave feminism in, if for no other reason than to give the brothers an introduction to it? Her first answer might be that feminists haven't produced the unified theory of justice attempted by the brothers, and she would be partly right. But feminists have criticized that goal itself and have written extensively about justice under guises less officially stamped as political theory. For example, a philosopher like Sara Ruddick teaches courses about justice, but when she sits down to write a book, it's called *Maternal Thinking*. Ruddick crops up a few times in Okin's notes, but nowhere does her consideration of the actual, complex dynamics of modern families make its mark on Okin's thinking. Ruddick worries about how to deal justly with a four-year-old—what would it mean? Dorothy Dinnerstein, too, has tried to describe the subtleties of sexism in the family, to get at the psychological reasons *why* families are so unjust. This list could go on and on. Where is a reference to philosopher Mary Gibson's work on Rawls? Why doesn't legal theorist Martha Minow's major work on the equality problem get its own full treatment? Where is some account of the feminist critiques of liberal justice theory inherent in the current "difference" debates?[2]

I suspect Okin doesn't report directly on such work because some of this theory goes against her own emphasis on an achievable, unproblematic "equality." Yet to write about "equality" now, without reference to feminist bitterness about this goal and its prospects, is to gloss over the very questions feminists have named as the hardest to solve, or even to theorize. Okin proposes as a solution precisely what many feminists have posed as a problem: she says if gender would but disappear all would be well, while a variety of feminists can be heard asking, naggingly, *why* doesn't gender easily disappear? And some ask, in addition, *should* it?

Even if, like me, one shares Okin's longing for a less gendered world, one finds that she has ignored these feminist debates rather than taking useful stands within them. She has defined her field of inquiry narrowly, and much that is relevant in the huge, sprawling, interdisciplinary corpus of feminist thought falls outside, or lands in the notes. Since there is no bibliography, even the most motivated and assiduous brother might have an excuse to come away from *Justice, Gender, and the Family* without a must-read feminist book list. He could happily continue to see feminism as an endnote to the massive achievements of contemporary social theory.

The few times Okin moves from monologue to dialogue with other thinkers are in her conversations with the brothers who can also be her real friends. Liberals like Rawls and Walzer offer models she hopes to develop for feminist purposes. Rawls

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suggests an equality, ruled by empathy and benign variation, that might include women (though he rarely consciously considers them). Walzer goes further, has thought about the basic social asymmetry structured by gender. He defines the existence of separate spheres of social life as a problem and recognizes women's exclusion from the public sphere as an oppression, an injustice.

Okin spends time mining nuggets from this more amenable work, but here, too, she finds a curious lack of real engagement with feminist thought. Gender flickers in and out of consideration in Rawls's and Walzer's theories, when instead they should recognize women's situation as a central instance of the domination, the inequality from birth, and the asymmetry of duties and entitlements that are their subjects.

Yet in these chapters, Okin expresses hope, a dream of partnership. She shares with Walzer and Rawls a liberal sensibility, a vision of a "genderless world," and a framework for social justice in which gender as a variation will not matter. In this communal spirit, she offers Rawls and Walzer a friendly amendment: they have made gender disappear *too fast*, without assessing its specific pull. Okin wants what they want, but she cautions them: in our lifetimes, gender will not wither away by wishing.

Though some of the specifics of Okin's dialogue with these potentially feminist brothers are arguable, here she is at her best, trying to suggest to colleagues how to extend their work. She lays her claim based on her belief in their sense of rationality and fair play. A wilder, messier feminism may have wreaked some havoc with these hopes; yet they recur, and deserve to recur.

Finally, it would be too easy to blame Okin alone for the underdevelopment of her arguments; her failures are also a measure of what can and cannot be said in her field. Obviously no feminist who reviews feminist books for *Dissent* should fault Okin for addressing male theorists, possibly new to feminism, on their home ground. Like Okin, I believe there is much value in addressing the brothers.

Yet in an intellectual world often split along gender lines, audience is never an innocent given, always a problem demanding conscious attention. *Dissent* is read both by feminists and by those who for one reason or another stand outside that name. Each group needs a different review of Okin. To those whose work concerns contemporary theories of justice, Okin is necessary. She begins on a feminist response they cannot do without. Feminists will find her account of feminism thin but may well be grateful to her for taking on the texts now read—alongside her old targets Plato et al.—in standard college courses.

The book's very existence is an interesting test of this kind of intellectual outreach. Okin tells us MacIntyre changed his theory in response to his critics. Will his next book respond to Okin? Can feminists influence men to remember the women and children by writing in this style, in this voice? Time—and Okin's future readers—will tell.

Whatever force Okin has here comes from the outraged surprise I criticized earlier. She sought, in Adrienne Rich's great lines:

> The phantom of the man-who-would-understand,
> The lost brother, the twin—. . . .
> did we invent him, conjure him . . .
> the man-who-would-dare-to-know-us?[3]

Rich's answer is clear: the brother is an illusion, a self-defeating invention. There's no point in trying to talk to him. Okin strongly disagrees, and she hopes to address "the comrade/twin whose palm/ would bear a lifeline like our own." This can be a fine longing. Still, as it stands, the voice of the book Okin actually wrote measures her great disappointment so far. □

Notes

[1] Stacey and Thorne, "The Missing Feminist Revolution in Sociology," *Social Problems* 32:4 (April 1985), Scott, "On Language, Gender, and Working-Class History," in *Gender and the Politics of History* (New York: Columbia University Press, 1988); Showalter, "Critical Cross-Dressing; Male Feminists and the Woman of the Year," *Raritan* (Fall 1983), reprinted in *Men in Feminism*, ed. Alice Jardine and Paul Smith (New York: Methuen, 1987); and Epstein, *Deceptive Distinctions: Sex, Gender, and the Social Order* (New Haven and New York: Yale University Press and Russell Sage Foundation, 1988) Rich's essays on the university and women's education are mostly in *On Lies, Secrets, and Silence: Selected Prose, 1966–1978* (New York: Norton, 1979). See particularly: "Toward a Woman-Centered University" and "Taking Women Students Seriously."

[2] Ruddick, *Maternal Thinking* (Boston: Beacon Press, 1989); Dinnerstein, *The Mermaid and the Minotaur* (New York: Harper and Row, 1976); Gibson, "Rationality," *Philosophy and Public Affairs* 6, no. 3 (Spring 1977), pp. 193–225; Minow's important work on justice has just been collected in *Making All the Difference* (Ithaca, N.Y.: Cornell University Press, 1990).

[3] Adrienne Rich, "Natural Resources," in *The Dream of a Common Language, Poems 1974–1977* (New York: Norton, 1978).

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Mark Levinson

REFORMING THE ECONOMIES OF EASTERN EUROPE

THE ROAD TO A FREE ECONOMY, SHIFTING FROM A SOCIALIST SYSTEM: THE EXAMPLE OF HUNGARY, by Janos Kornai. Norton, 1990. 224 pp. $16.95.

For over thirty years the Hungarian economist Janos Kornai has been a sophisticated analyst of the communist command economies. His writings have been characterized by a mixture, rare among economists, of rigor, skepticism, and sympathy. Until recently Kornai rejected the orthodox economics of both East and West, which claimed that either central planning or the free market was the answer for whatever problems plagued the economy. An example is Kornai's remarkable 1982 lecture "The Health of Nations," from which I quote at length because it is an interesting contrast to his new book:

> The normative theories of economics are deeply interwoven with a *naive optimism*. According to one normative theory, the individual makes decisions that are optimal for his own self-interest. The advocates of this normative theory, trusting the perfection of the market, add that if we allow the market, and only the market, to harmonize the atomized individual decision-makers, the functioning of the national economy as a whole will be equally optimal. The protagonists of the normative theory based on a belief in the almightiness of planning, however, reach the no less optimistic conclusion that the foresight of planners is capable of optimally coordinating the activities of every member of society. . . .
>
> Medicine is, in a sense, "pessimistic" because it boldly faces the fact that the overwhelming majority of people will sometimes fall ill in the course of their lives, perhaps even several times, and usually die, in the end, from some disease. But this pessimism does not hold it back from action; in fact, this is what prompts it to scientific research and to the application of the achievements of science. This is staggeringly expressed by the physician hero of Camus's *The Plague,* Rieux, in his conversation with his friend, Tarrou, who helps him in fighting the plague. "Yes," agreed Tarrou, "I can understand you. But your victories will always be temporary and that is that." Rieux's eyes darkened. "Always, I am clear about that. But this is not reason to abandon the fight."

Kornai concludes with a plea for an economics of steady work: "We must fight with the forces we have for healing the diseases of society. . . . We must take a stand in the name of our science more cautiously, more considerately, more circumspectly, when giving advice in matters relating to the healing of the sick economy."

Spurred by a failing economy and the political opening in Hungary, Kornai's new book is a blueprint for economic reform in Eastern Europe. (A recipe, as the *Economist* said, for unmaking an omelette.) Kornai again reverts to a medical analogy:

> Those who have undergone a serious disease or have seen the sufferings of a loved one know well the state of mind that makes the patient turn to the doctor and declare: "I can stand this no longer. Come what may, put me out of my misery. I would risk the operation, but do something with me." I feel that the Hungarian population is approaching a point where it cannot tolerate further suffering. . . . I believe they are ready to take the risks of a radical operation. And for all the temporary trauma and troubles it would cause, the operation at least holds out the promise of genuine order and calm.

The "radical operation" that Kornai calls for is a move toward a market economy. (That Kornai would expect markets to result in "genuine order and calm" is puzzling, even for these days, when markets are expected to perform miracles.) What accounts for Kornai's newfound faith in the market? This must be understood in the context of his analysis of command economies and the history of economic reform in Hungary.

Shortage, sellers' markets, and resource constraints are for Kornai the distinguishing characteristics of the command economy; they stand in stark contrast to the characteristics of capitalism, which are slack, buyers' markets, and demand constraint. (I draw here on Kornai's earlier works, *Economics of Shortage* and *Growth, Shortage and Efficiency: A Macrodynamic Model of the Socialist Economy.*)

For Kornai the key feature of a command economy is "soft budget constraint." The firm knows that, faced with losses, it will be helped out somehow. "Its permanent survival is guaranteed even in the case of a lasting financial deficit"; accordingly, only its resources constrain it.

In such an economy sellers need not make great efforts to sell their products nor worry about their quality: "the chronic-shortage economy ensures that every (or almost every) product is salable sooner or later." Shortages "maintain a social relationship in which the buyer is at the mercy of the seller—and feels himself to be so."

> The firm, as buyer, tries to acquire as much input as possible in order that shortage does not hinder production. The other side of the same phenomenon is that the firm as seller faces an almost insatiable demand.

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For a firm in a command economy it is the quantity of resources at its disposal that limits its level of output. This may be contrasted with the capitalist firm, which is held back not by its resources, which are usually underutilized, but by a demand constraint.

Thus, considered from the side of production, capitalism and command economies as economic systems are respectively demand-constrained and resource-constrained. The same contrast appears in the labor market. The labor market under capitalism "is demand-constrained because production is demand-constrained." Under command economies, by contrast, the tendency is toward full employment. For Kornai chronic unemployment is a distinguishing characteristic of capitalism, just as chronic shortage is characteristic of command economies. Under conditions of shortage firms will face queuing and clamoring buyers (as well as pressure from higher authorities). To satisfy such demands, the firm as buyer "joins the queue of those demanding more input." And in anticipation of shortages in inputs, the firm will attempt to stockpile and hoard its own requirements. This very process, however, creates material shortages of those inputs, which in turn intensifies the process of hoarding and stimulates the same process among the producers of the particular inputs. The result is the reproduction of shortage.

Consumers are caught in the same vicious circle. Faced with shortages, households will purchase, whenever possible, in anticipation of future shortage (that is, they will hoard). Shortages thus spread from product to product, becoming "a mutually reinforcing, self-sustaining process."

Hungary's 1968 reform, the New Economic Mechanism, promised to abolish the central determination of input and output targets. The goal of the reform was greater independence for firms. A number of rights concerning decisions over production and marketing were transferred from the ministries to enterprises. Enterprises were also given authority to make some decisions of a long-term, strategic nature. (For example, they were to have a degree of independence in determining their product prices and investment plans.)

According to Peter Bihari, the intent of the 1968 reform

> was to regulate, not the particular enterprises themselves, but (through the system of regulation) the economy as a whole. As the individual enterprises were to be regulated only indirectly, the realization of the enterprises' own interests would have to be dependent upon market forces, and not upon the fulfillment (or non-fulfillment) of the plan. Profit was to become the prime motivating factor of the enterprise. Within this framework, enterprises would produce for the (regulated) market.

But the Hungarian reform did not work as intended. Although the number of independent decisions made by firms has grown, the state continues to play a decisive role in determining the firms' activities through the withdrawal and return of earnings. The major portion of capital is still allocated by the state. Through the centralization of investment funds the state maintains considerable economic power.

Nor have enterprises been as autonomous as the original plan intended. The main reason is that the revenues withdrawn from the enterprises are so large that they are incapable of surviving on their own. They must constantly "beg" for state funds. The firms try to adapt themselves not to the market (or to people's needs) but to the regulators and expectations of regulatory changes.

The firm has no obvious interest in achieving profit (since there is the threat of having profit withdrawn) and no adequate interest in meeting price rises by its suppliers (since it knows the state will rescue it from such difficulties in any case). Producers have little interest in raising their own prices, since low prices may be precisely the basis for obtaining supplementary state funds. Indeed, the firm's most important goal is the procurement of state funds. While the firms are subordinate they are not entirely powerless. They can often exploit the regulatory system because they can distort information essential for state decisions.

The result, according to Kornai, is that Hungary

> is a bargaining society, and the main direction is vertical, namely bargaining between the levels of the hierarchy, or between bureaucracy and firm, not horizontal, between seller and buyer. . . . The system that has developed in the Hungarian state-owned sector may be called indirect bureaucratic control, juxtaposing it to the old command system of direct bureaucratic control. . . . The dominant form of coordination has remained bureaucratic control but . . . there are significant changes in the set of control instruments.

A free economy, according to Kornai, "is, of course, a market economy." For Kornai this also means private ownership. But in contrast to some who believe Hungary's economy can be privatized immediately, Kornai believes it will take decades. He has little hope of reforming state-owned firms:

> As long as the state sector remains the dominant sector in

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> the national economy, the firms, owing to their spontaneous and internal concerns, do not have and will never have hard budget constraints. It is time to abandon hope that the budget constraint can be hardened.

At the end of his book, however, Kornai seems to recognize that soft budget constraints are not inherent in state property:

> The situation was different earlier, when all the regulative powers were held by the top state bureaucracy, which was one soul, one body with state-owned firms. This almighty bureaucracy displayed a high propensity to spend at every level of the hierarchy. But now an *independent counterforce* might emerge in the form of a multiparty Parliament. Not being a part of the bureaucracy, this legislative body will in fact be *superior* to it; as the repository of the nation's will it will be empowered to set limits to expenditures. I hope that a legislature acting independently of the bureaucracy, or more precisely as its superior, will be able to impose restrictions on state-owned firms' propensity to spend. Accordingly, this legislature should be able to set an *economy-wide* hard budget constraint on the state sector. If it manages to do this, then it will stop one of the basic mechanisms in the reproduction of shortage.

Here, as in *Economics of Shortage*, Kornai argues that soft budget constraints are a consequence not simply of state ownership but, rather, a social relationship between planners and enterprise managers.

Although he acknowledges that democracy could change one of the basic mechanisms of the shortage economy, Kornai's aim in his new book is to develop a program to stimulate the private sector. Private entrepreneurs should be given a chance to buy the wealth of the state sector in suitably separated parts. This can be facilitated by breaking up the enormous Hungarian enterprises that artificially unite a number of smaller units. Foreigners should be allowed to purchase the state's wealth but only to the extent compatible with the nation's interest. The only role for state ownership is in places where it can solve certain tasks more efficiently than private ownership.

Kornai claims his book is not about the long-run goals of Hungarian society, but his underlying premise is that a capitalist market economy is the only basis of a free economy. He believes there is no third way.

> The basic idea of market socialism simply fizzled out. . . . During the initial "naive" phase of the reform process, we all cherished the hope that the mere discontinuation of plan commands would be enough to create market coordination of state-owned firms. However this hope did not come true. Instead . . . direct bureaucratic regulation of the state sector was replaced by indirect bureaucratic regulation. . . . This kind of bureaucratic coordination is as much the *spontaneous* effect and natural mode of state property's existence as market coordination is of private property. . . . This is no longer a debating point, but simply a *fact* that must be accepted.

But this spontaneous "bureaucratic coordination" developed in a political context that is now changing. With political democracy, is it not possible to imagine an economy that is true to the principles of consumer sovereignty, the autonomy of producers, *and* democratic planning? Is it not possible to use markets to pursue democratically planned goals?

In reacting against the failed utopia of communist central planning, many East European intellectuals (apparently including Kornai) have embraced a different sort of utopia—the laissez-faire version of capitalism. Not only is such an economy unworkable—it tends to destroy civil society—but the difficulty of implementing it is demonstrated by the fact that, for workers, the arguments in support of it mirror arguments made in support of the communist centrally planned system. For example, Kornai states that a successful transition to the free market will require strict wage discipline for workers at a time when prices will be rising. Ultimately, he says, when the operation is complete, workers will benefit from the change. Perhaps. But is it any wonder if workers are skeptical? Haven't they been told for forty years: sacrifice today so you can enjoy a better future?

Markets and private property will no doubt spread in Eastern Europe. The issue is: to what extent, in what form, subject to what controls and with what consequences? The process of privatization and marketization will be very difficult. Hungarians are poor. It is unlikely they will be able to buy shares in state-owned companies. This could lead to what the Polish economist Tadeusz Kowalik calls "Nomenklatura-led privatization." Kowalick quotes Alexsander Paszynski, the president of the Warsaw Economic Association:

> The state and party apparat are interested in founding as many companies as possible. They see chances for themselves to sit on various company councils and even to hold company stocks. . . . The apparat is only whetting its appetite for profits that companies can provide them with, and so not only is it not trying to hamper the growth of companies but it is even making life easier for companies by opening a protective umbrella over them. . . . The first companies have already been founded at the initiative of the apparat, and even of people representing medium-level Party authorities, and some of those new companies are chaired by people from the top echelons of power in Poland.

And of course there is also a danger of increasing

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inequality and unemployment. If they reach unbearable levels, how long before democracy itself is threatened?

Kornai is certainly aware of all these problems. Yet for all his erudition he writes simplistically about the market. One can recognize the virtues of markets without embracing lassez-faire. Although his suspicions of the state are understandable, the collapse of command economies does not invalidate Keynes's analysis of the need for an active government role in the economy. Market economies are not self-equilibrating; markets—especially the labor market—do not necessarily clear. For a modern economy, even a capitalist economy, to function humanely, the state must take responsibility for employment levels, incomes policy, social-investment decisions, regulation of multinational corporations, and planning the public sector (social security, health, education, environment, public transit, and so on).

Where the line should be drawn between the public and private sector need not be determined in advance. For democratic socialists, Michael Walzer put the issue succinctly:

> The precise forms of political participation and of economic citizenship, the precise extent of welfare provision—these are matters still subject to democratic debate. Socialism doesn't imply a necessary commitment to any set of political or economic arrangements. In its social democratic version, it implies instead a commitment to experimentation, trial and error, institutional revision, and ideological openness.
>
> What is necessary is that everyone . . . be able to say yes or no. Without liberty, there could be no rightful distribution [of goods] at all. On the other hand, men are not free, not politically free at least, if his yes, because of his birth or place or fortune, counts seventeen times more heavily than my no. Here the case is exactly as socialists have always claimed . . . : liberty and equality are the two chief virtues of social institutions and they stand best when they stand together.

Kornai could reply that these are all problems for the future. He is addressing himself to more immediate concerns.

> Perhaps the role of government will be reconsidered at a later stage. But right now, in the beginning of the transformation process, people are really fed up with the excesses of state intervention, with the totalitarian power of the bureaucracy. It is probably inevitable that history moves not in a straight line, but like a pendulum. Following a number of decades in which a maximal state prevailed, it is now time to take great steps in the direction of a minimal state. Perhaps later generations will be able to envisage a more moderate midway.

Why can't Kornai envisage a more moderate midway now? If history moves like a pendulum, must intellectuals also swing along with it? Don't intellectuals have a responsibility to moderate the swings of the pendulum—to take a stand, as Kornai once said, "more cautiously, more considerately, more circumspectly, when giving advice in matters relating to the healing of the sick economy"? □

David Belkin

MARKET SOCIALISM: ANOTHER VIEW

FROM MARX TO THE MARKET: SOCIALISM IN SEARCH OF AN ECONOMIC SYSTEM, by Wlodzimierz Brus and Kazimierz Laski. Oxford University Press, 1989. 177 pp. $34.95.

American socialism has endured many crises. But these have mostly been, or appeared to be, crises of agency and strategy, brought on by repeated failures to build the movement or by capitalism's disconcerting capacity to emerge strengthened from depression and war. However, if we couldn't find our way, at least we remained sure of our goal: a democratically controlled economy that either eliminated or subdued production for private gain. It was just—just!—a matter of getting there, not whether there *is* a "there."

In 1983 Alec Nove's *The Economics of Feasible Socialism* set off some alarm bells. For it was the work of an avowed socialist, and it went beyond the usual criticisms of Stalinist "deformations" and laid a significant part of the blame for the problems of the command planning model on Marx himself. And the Marxist axioms that Nove methodically dismantled—long sacrosanct beliefs concerning the feasibility of ex ante economic coordination and "production for use"—had in part animated *our* democratic planning schemes as well as *their* centralized bureaucratic approach.

The main target of Nove's attack was the Soviet system. He sketched out an alternative that, although including product and labor markets and even production for profit, also featured large measures of public and cooperative ownership and severely restricted private capitalist accumulation. Capital markets were excluded, and it could be reasonably argued that the principle of social determination of the basic contours of the economy was preserved. In the end, democratic socialists could take heart.

Nove's prescription reflected in part the work of a

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number of economists in Poland, Hungary, and Czechoslovakia who developed reform socialist models in the 1950s and 1960s. One of the most influential of these reformers was Wlodzimierz Brus, whose major works (*The Market in a Socialist Economy, Socialist Ownership and Political Systems*, and *The Economics and Politics of Socialism*) were translated and gained some currency in the West in the mid-1970s.

Brus was a committed Marxist who took the goal of socialization of production very seriously. In this respect, he found both the *étatist* planning practices of the Soviet Union and its satellites and the radical self-management approach of Yugoslavia wanting. Brus proposed another way, a combination of "central planning with regulated market," with the plan's dominance secured through public ownership of the means of production and central allocation of capital. Genuine socialization would be attained "by ensuring the real participation of society in the taking of decisions at the center, that is, by a genuine democratization of the system for the exercise of state power."

Brus's model was based on the theoretical solution provided by Oskar Lange during the "socialist calculation" debate of the 1930s. Lange had set out to show that central planners in an economy without capital markets could correctly determine the prices of capital goods and that they could use these prices and a few simple "rules" effectively and unobtrusively to direct the activities of socialist enterprises into "optimal" channels.

What distinguished Brus's approach was his exceptional thoroughness in mapping out the conditions for realizing socialist values in an economic system. His model influenced the construction of the New Economic Mechanism (NEM) in Hungary. It also fell within the mainstream of democratic socialist thinking in the West, although many Western leftists remained (and, needless to say, remain) suspicious of the market socialist label. So now, when Brus and his frequent collaborator, Kazimierz Laski, write a book that focuses intensively on the Hungarian and Yugoslav reforms and their theoretical underpinnings, we might expect the results to be of particular concern to democratic socialists everywhere.

And so they are. *From Marx to the Market* raises fundamental doubts about the premises of the regulated market and self-management alternatives that have been the basis for democratic socialism's rejection of both capitalist and "bureaucratic collectivist" economics. The book covers many critical questions concerning the scope for socialist economic policy; in this review I shall focus on the two that I think Brus and Laski regard as the most crucial: the question of the capital market and the question of ownership.

To remind us where we are coming from, Brus and Laski observe that

> whatever the strength of the negative position with regard to the market in general in orthodox Marxist theory, *the attitude towards the capital market must be that of outright and uncompromising rejection*. This is understandable enough, and obtains not merely on doctrinal grounds (the capital market, even limited to non-private participants, denies labor the alleged role of the ultimately single factor of production and the only legitimate non-exploitative source of income) but also because *socialization of capital, its allocation on behalf and in the interests of the community as a whole, represents the mainstay of the postulated economic superiority of socialism over capitalism*. [Emphasis added—DB]

Lange's solution in the 1930s debates, the East European reform models of Brus and others in the 1950s and 1960s, the Hungarian NEM after 1968, and Nove's proposal in *Feasible Socialism* all remained faithful to this most basic of socialist tenets: all postulated some sort of overt political control of at least the major investment flows of the economy, with leading enterprises retaining sovereignty only over decisions adjusting levels (not types) of current output and capacity.

On the other hand, the planning authorities were supposed to restrict their own activities to the realm of strategic investment decisions and selective price fixing and determination of overall accumulation rates; they were to keep their noses out of the day-to-day operations of the firms—this was the major departure from the command approach—leaving the latter free to work out the most efficient responses to (plan-mediated) consumer demand, or to suffer the consequences if they did not. Brus and Laski argue in the most forceful terms that this envisioned (and in Hungary attempted) division of responsibility does not and cannot work.

This arrangement breaks down essentially because it blurs the responsibility for enterprise performance. First, an enterprise may do well or poorly financially because of distortions in prices fixed by the state. Second, if an enterprise is doing poorly but—having no access to a capital market—is unable to branch out on its own into new activities or otherwise redeploy its resources, it is hard to argue that this enterprise should be punished for its performance, that is, threatened with bankruptcy. Moreover, the threat of bankruptcy becomes moot because (again

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because of the absence of a capital market) there are no "free capitals" around to take over failed enterprises.

Under these circumstances, it really does not make much sense for the enterprise to pay too much attention to product quality, consumer demand, prospects for innovation, and the like. Instead, the enterprise winds up devoting most of its energy to securing the state dispensations (soft loans, price changes, tax exemptions, and so on) required to keep going regardless of its immediate financial condition; and the state, with little other real alternative, winds up granting most of what the firm is bargaining for—but usually, to protect its own interests, accompanied by new instructions and restrictions regarding enterprise operations, which make the enterprise even less responsible for its own performance!

Thus Brus and Laski emphasize that it is not merely poor policy decisions or the twisted legacy of Stalinism, but *flaws in the basic design of the system* of "central planning with regulated market," in particular its exclusion of a capital market, that perpetuate what Janos Kornai calls the "soft budget constraint" with all its debilitating effects.

In theory, Yugoslavia following the 1965 reforms was to have been different. As befits a full-fledged "labor-managed market economy," the responsibility for resource allocation and for determining the proportions of accumulation and personal consumption was to be shifted from the state to the self-managed firms. This implied a capital market (though only by any other name).

In reality, however, Yugoslavia's twin commitments to "societal" ownership of capital and direct labor as the only proper source of earnings made it hard to impose hard budget constraints and at the same time did not allow much latitude for investments by either the enterprises or their members. This resulted in chronic underinvestment, contributing to the relatively poor performance of the Yugoslav economy in the post-1965 market socialist period, and after a few years there was a turn toward more bureaucratic mechanisms of economic coordination.

As for the period of Yugoslav market socialism itself, the authors conclude that it "presents a case of an abortive attempt at introducing a limited capital market . . . rather than a case of deteriorating performance as a consequence of institutionalization of such a market."

Nowadays one doesn't hear too much talk about undivided public or state ownership of the means of production being a prerequisite for socialism. Instead, Western socialists tend to argue more in terms of public controls selectively aimed at the essential sectors (sometimes depicted as the "commanding heights") of the economy—but with the same object of effectively subordinating the whole to conscious planning. Brus and Laski remind us that the old preoccupation with nationalization was not just some accidental alien graft onto the body of socialism. On the contrary, it flowed immediately

> from the original socialist idea of "directly social labor," with its powerful stress on integration and cooperation as against separation and rivalry. . . . The formula of state ownership of the means of production as "ownership of the whole people" may have been used widely for propaganda purposes, but it reflected also the substantive concept of indivisibility of the object of public ownership, at least on a national scale. . . . The indivisibility of public ownership underlay the claim to the superior rationality of socialism. . . .

The incorporation of capital markets (which, by the way, Nove now also endorses) threatens to breach this concept of indivisible public or social ownership in two ways. First, it requires that the state effectively separate itself from the economy, so that it is no more than "one of the actors"—rather than *the* actor—on the economic stage. This means a substantial transfer of the prerogatives of ownership to the individual enterprises.

Second, even supposing that it is possible to reconcile some notion of public ownership with enterprise independence, it remains an open question for Brus and Laski as to whether this can be the basis for bolstering *entrepreneurship* in the socialist economy. The essence of entrepreneurship is risk-taking, "the grasping of new opportunities," the deliberate creation of *dis*equilibrium—a facility the importance of which Lange never grasped. Entrepreneurial behavior has always been grounded in a sense of personal material risk, even, the authors argue, in the so-called managerial corporation of modern capitalism. This is precisely what is ultimately lacking in a system of public ownership where both the enterprise directors *and* their superiors in the state administration are agents rather than principals: where in the final analysis there *are* no personal principals. (There is a comparable dilution of personal responsibility under the Yugoslav system of "societal" ownership.)

The authors are not arguing that managers and workers in state-owned enterprises are never personally motivated to be innovative; they believe rather that a system of extensive state ownership doesn't adequately support such motives. They hold out more hope for a mixed system whose nonstate sector

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is large enough to provide meaningful competition for state-owned enterprises. Brus and Laski don't entirely abandon the concept of social ownership, but they suggest that socialism will require a "renunciation of any sort of ownership doctrinairism."

Twenty years ago, Brus asserted that "the question of socialization is decided not on the plane of 'depoliticization of the economy' but of 'democratization of politics.' " Similar formulations are indeed still recited by democratic socialists in the West. Now he and Laski declare that "the economy has to become depoliticized," and support democratization "because no other guarantee can meaningfully exist for the maintenance of the depoliticization of the economy."

Depoliticization has a very specific meaning for Brus and Laski. It does not mean laissez-faire. It does not preclude enforcing environmental and safety standards for industry, recognizing areas of market failure and providing public goods (education, health, infrastructure, and so on), assuming responsibility for poverty, or conducting monetary and fiscal policies to stabilize employment. Depoliticization simply means that, given all of the above, the business of resource reallocation is for the most part conducted by relatively independent entrepreneurs through relatively competitive markets rather than by agents of an overriding state.

But what about economies that have never been, in the special sense given, politicized? Perhaps one could argue that the lessons drawn from the struggle for economic reform in Eastern Europe don't apply here, since the United States suffers from too much market, not too much state planning. It is clear, however, that *From Marx to the Market* is addressing not just specific failures but underlying models of democratic socialism (note the subtitle of the book). The authors' prescription for enlarging the scope of marketization in the East is at the same time a warning to define better the limits of prospective extensions of state power over markets and enterprises in the West.

This applies in particular to the commonplace belief that the growth of the great multinationals and the widening scope of state interventions in the capitalist economy demonstrates an objective tendency towards the subordination of markets by rational control on a continuously expanding scale, so that it is only a question now of whether we will have corporatist or democratic control. This line of reasoning is confuted by one of the pivotal conclusions of Brus and Laski's analysis—that a critical threshold is crossed when planning seeks to broadly supplant, rather than selectively compliment, markets as a means for resource reallocation.

On one side of this threshold is the large, multidivision private corporation. True, within such an organization vast numbers of economic transactions are shielded from the direct glare of the market. Nevertheless, "[E]ven under conditions of oligopolistic competition a large corporation still acts in a market environment and *cannot destroy the principal rules of the game*" [emphasis added—DB].

On the other side of this threshold would be a socialized state sector whose weight within the overall economy is so great that concerted action by this sector "would actually destroy the market and let in the command system by the back door." This sector, in other words, would ultimately lack what even imperfectly competitive markets provide, external reference points for judging the effectiveness of its actions. As the price for being "at the wheel" of the economy, the directors of the state sector would be forced to drive blindfolded.

Brus and Laski seem to leave us with no alternative but to try to specify a socialism that can be identified with, or at any rate accepts, substantial private (individual, share, or cooperative) ownership rights, real competition, and capital markets—in the authors' words, a genuine market socialism. But this requires a wrenching reorientation, for

> the distinctions between capitalist and socialist economic systems, as hitherto perceived, become under MS [market socialism] thoroughly blurred. If therefore marketization is accepted as the cure for the economic ills of "real socialism," not only the original Marxist promise has to be cast aside as anachronistic, but also the very concept of transition from capitalism to socialism. . . . The recourse to MS means that *socialism should actually cease to be perceived at all as a bounded system*, transcending the institutional framework developed in the past, and hence by definition postulating its total replacement by new institutional foundations, if not immediately so then in a longer perspective. The recourse to MS means, on the contrary, that the very idea of the grand design of a supremely rational economy has been acknowledged as utterly fallacious. . . . [Emphasis added—DB]

It is evident that what the authors call market socialism bears a great resemblance to, and may be no more than, social democracy. But perhaps not. Without straying over the threshold discussed above, there are at least three initiatives that can be considered that might advance socialist values beyond the level proverbially realized in Sweden.

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First, the state could establish a capacity for indicative planning (or industrial policy) that is democratic and inclusive. Under indicative planning, the state does not own or "run" the economy, but uses a variety of incentives to promote particular priorities. Perhaps paradoxically, such an approach may be more amenable to efforts to make economic policy democratically accountable than one in which direct public ownership is dominant and individual production decisions are politicized. But politicization presents problems even when the state is not burdened with a Sisyphean responsibility for directly or indirectly coordinating all economic activity. It is important to note that up till now the *absence* of public accountability, the clubby insulation of planners from conflicting pressures concerning the distributional implications of their schemes, has more often than not been deemed essential in conducting successful industrial policy (as in France or Japan). Establishing genuine public participation in this area would be an important breakthrough.

Second, the state could cultivate a delimited but vigorous role as *an* economic actor in its own right, not large enough to "destroy the rules of the game," but capable of mounting projects that the private sector can't or won't pursue.

Third, there could be a drive to support and extend the emerging tendency toward wider worker participation in decision making and ownership rights within enterprises. While a transition from state or "societal" ownership to cooperatives is a form of privatization (breaching the concept of "ownership of the whole people"), a transition from capitalist corporate ownership to cooperatives still embodies significant elements of socialization.

Together, these kinds of initiatives (and no doubt others) might point toward a socialism that doesn't need to be realized as "a bounded system," which can abide as a perpetual restless "movement toward" rather than as a consummated end, with its aspirations for solidarity and participation and justice existing in ongoing, fruitful tension with the elements of competitive self-interest that also drive society.

From Marx to the Market is an unsparing portrayal of a socialism held spellbound by the "idea of the grand design of a supremely rational economy" in its many guises. What Brus and Laski demand and provide is, in the double sense of the word, a disenchantment, and for this they will not be much loved. Yet this book asks the reader only to abandon socialism's illusions, not its ideals. It points not to the certain end of our quest, but to an uncertain beginning. □

Eric Goldstein

THE INTIFADA AND AFTER

FROM STONES TO STATEHOOD: THE PALESTINIAN UPRISING, by Phyllis Bennis, photographs by Neal Cassidy. Olive Branch Press, 1989. 135 pp. $16.95.

INTIFADA: PALESTINE AT THE CROSSROADS, edited by Jamal R. Nassar and Roger Heacock. Praeger, 1990. 347 pp. $55.00

INTIFADA: THE PALESTINIAN UPRISING, by Don Peretz. Westview Press, 1990. 246 pp. $38.50 hardcover, $14.95 paperback.

INTIFADA: THE PALESTINIAN UPRISING AGAINST ISRAELI OCCUPATION, edited by Zachary Lockman and Joel Beinin. South End Press, 423 pp. $15.00.

INTIFADA: THE PALESTINIAN UPRISING—ISRAEL'S THIRD FRONT, by Ze'ev Schiff and Ehud Ya'ari, edited and translated by Ina Friedman. Simon and Schuster, 1990. 352 pp. $22.95.

PALESTINE AND ISRAEL: THE UPRISING AND BEYOND, by David McDowall. University of California Press, 1989. 322 pp. $22.95

A recurrent theme in three of the books under review is that the Palestinian intifada has made a peace settlement a goal of utmost urgency. The cycle of rebellion and repression is driving Israelis further to the right and Palestinians toward Islamic extremism. Every day that passes corrodes Israel's economy, moral character, and relations with its own Arab citizens. "Unless sincere negotiations get under way," Ze'ev Schiff and Ehud Ya'ari predict, "both sides will suffer considerably for the foreseeable future and the ultimate outcome of the intifada will be much to Israel's detriment."

All these books were completed before the intifada began to taper off and fade from the news. They were written before intra-Arab assassinations began to outnumber killings by Israeli troops, and before Soviet Jews began to pour into Israel at the rate of more than ten thousand per month. And before Saddam Hussein invaded Kuwait, deflecting attention from the plight of the Palestinians everywhere except in his own rhetoric. What happened to the political promise that the intifada seemed to contain two years ago, when Yasser Arafat uttered the formula required to open direct contacts with the United States and attempted to cash in on the rebellion? Intifada or no, Israel's Likud-led government is willing and ready to maintain the occupation into the foreseeable future. Prime Minister Shamir's

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constituency is a strong one, combining those who are ideologically committed to retaining the West Bank and those who embrace the status quo on security grounds. Israel's peace movement is reeling before the task of trying to explain why Israelis should talk with Palestinians who are demonstrating for Saddam Hussein.

In the absence of political progress, the intifada will continue to simmer, with increasingly bitter eruptions. If Palestinians trade in their stones for knives or warm weapons, Israel will quickly ratchet up its repression to keep attacks on Jews at politically tolerable levels. The intifada has raised the day-to-day cost to Israel of the occupation, but not beyond its means. In one indication of renewed confidence, Jewish settlement in the West Bank has surged again after an earlier dropoff, as Soviet immigrants push up housing prices inside Israel.

It is depressing to ponder a continuation of the status quo. Palestinian rights will be suppressed, Israel's moral fabric will fray, and both sides will suffer casualties. Even more unsettling is the question of what would happen to Palestinians in the territories if Israel went to war. Israelis who favor the mass expulsion of Palestinians might swell to a majority if hostilities broke out between Israel and, say, Iraq or Syria, and the Israel Defense Forces (IDF) encountered resistance in the territories.

What then did the intifada accomplish? One achievement is that Palestinians have empowered themselves, albeit within harsh limits. The revolt sustained itself through the stamina and sacrifices of all sectors of Palestinian society, which closed ranks in a way that did not occur during earlier uprisings. It built on grass-roots political institutions that had been developing for a decade or more, and was directed by a local leadership that coordinated with the PLO outside while remaining attuned to the mood of the population inside. The experience of empowerment during the intifada has transformed the self-image of the Palestinians and has enhanced their stature in any future dealings with Israel or other states.

Another point that comes across in these volumes is that although stone throwing is more telegenic, it is less significant than the nonviolent components of the intifada. Most Palestinians did their bit not by hurling rocks but by participating in strikes, tax boycotts, marches, political meetings, and exercises in self-sufficiency. "The hundreds of violent incidents," write Schiff and Ya'ari, "had become a smoke screen for the effort to build a 'shadow administration' as the stamp of a state-in-the-making." (I trust their metaphors mix less noisily in the original Hebrew.)

None of the authors sees Israeli society deriving parallel benefits from the intifada. Although some public opinion polls show an Israeli public increasingly willing to talk to the PLO, "the consensus," Schiff and Ya'ari write, "was a kind of dug-in-heels attitude that the status quo must be maintained—and certainly that it must not be altered as a result of anything done by the Palestinians."

The book by Schiff and Ya'ari provides the only insightful portrait of Israeli thinking during the intifada. While the other authors rely solely on published sources and survey research, these two well-connected Israeli journalists provide inside accounts of Knesset and cabinet meetings and army strategizing.

Their portrait, while more sympathetic toward Israeli policy-making than any of the other works, shows no less exasperation. In the final analysis,

> the intifada has exposed in all its grimness the snarled state of the country's political system, which has grown brittle in its approach to the Israeli-Palestinian conflict and has a way of crippling itself the moment the issue comes up. Whenever this system appears to be making some progress, its wheels immediately jam. . . . Any deliberation in long-range policy is repeatedly postponed; the ministers simply dodge the subject.

Schiff and Ya'ari bring to life the wrangles between, on the one hand, Israeli politicians, who ignored the possibility of a revolt in the territories and then demanded its instant suppression when it broke out, and, on the other, the IDF General Staff, which comes across as an oasis of relative sanity and moderation. The authors describe with feeling the dilemmas faced by an army trying to quell a revolt by unarmed civilians, while laying bare the failure of one method after another and the abuses committed along the way.

Although the book's descriptions of abuses are disturbing enough, the authors fall short of capturing the full extent of army misconduct. It is a gross overstatement to claim that "the military courts simply did not allow soldiers to get away with excesses." They also mislead by starting the book with a harrowing description of the massive riots that overwhelmed soldiers in Gaza during the first days of the intifada, without making it clear that most of the confrontations in ensuing months—in which most fatal shootings by soldiers took place—involved far fewer participants and far less danger to the soldiers. Still, Schiff and Ya'ari's book is the most readable, a thriller about two adversaries trying to outwit one another, each battle-hardened in its own way.

Although their accounts seem largely credible, the omniscient voice of Schiff and Ya'ari is irritating in

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the absence of footnotes. Do Schiff and Ya'ari relate what Palestinian leaders discussed on the basis of Shin Bet (the Israeli secret service) or Palestinian sources? Who told them, for example, that activist Mohammed Labadi said to his driver at a December 1987 meeting, "We're going to put out handbills to inflame the people to revolt, and you're going to be in charge of printing them"? Presumably, this bit of conversation is courtesy of the Shin Bet; in any event, attributions are sorely needed. Also, the authors should have reminded readers that Shin Bet's familiarity with its adversaries is derived partly from nasty methods of extracting information.

While Schiff and Ya'ari describe Palestinian thinking at the top, they devote less attention to the grassroots organizations and daily life in Palestinian towns and refugee camps. This gap is filled by some of the better essays in the two highly uneven collections under review.

In the volume edited by Jamal R. Nassar and Roger Heacock, Salim Tamari, a sociologist at Bir Zeit University, argues convincingly that traditionally conservative merchants and shopkeepers played a key role in consolidating the uprising by resisting efforts by the IDF to force them to remain open during commercial strikes. In the Arab revolt of 1936–39, Tamari writes, merchants' participation involved a substantial degree of coercion, while the strike during the intifada was "basically a voluntarist act." The motives for participating, he writes, were "a combination of increasing tax pressures and a shift in the perception of the military government, which now saw the urban middle classes as part of a hostile subject population rather than as part of a 'pragmatic majority that wants to live quietly.' "

Tamari's article faces up to some of the failures of the intifada. Preeminent is the decline in the mass character of the resistance and the risk of a reversion to pre-1987 conditions, when activism was the province of a hard-core minority. With regard to the merchant class, Tamari notes that mass action is threatened by the decline of the tax revolt and friction among manufacturers, shopkeepers, and street peddlers, who found themselves bearing unequal burdens of the strikes and boycotts.

In the volume edited by Zachary Lockman and Joel Beinin, particularly effective is Beshara Doumani's portrait of an unremarkable West Bank family on the eve of the intifada. Abu Farid, jailed on political charges by the Jordanians some thirty years ago, has grown cynical both about the PLO and the Arab world. In the 1970s and 1980s Abu Farid and two of his three sons worked hard and fared better than they could have under the Jordanian occupation. But in a postscript written one year later, the author, a historian and contributing editor of *Middle East Report*, describes how the family's relative comforts have been disrupted by the intifada: Abu Farid and one son have quit their jobs in Israel, two sons have been arrested, and all are aroused and angry.

Less nuanced profiles of Palestinians during the intifada fill Phyllis Benniss's and Neal Cassidy's photo essay, *From Stones to Statehood: The Palestinian Uprising*. Although the authors let Palestinians speak for themselves, the voices sound canned: unity is never less than total, and all acts of repression only reinforce the struggle.

Intifada: The Palestinian Uprising, by Don Peretz, a political scientist at SUNY-Binghamton, is a workman-like overview of the intifada that is limited by its heavy reliance on English-language press sources, particularly the *Jerusalem Post*. However, Peretz's well-organized chapters on the origins of the intifada, its effects on Palestinian and Israeli life, and its international repercussions make it a useful reference.

David McDowall's *Palestine and Israel: The Uprising and Beyond* does not focus on the intifada, although he contends that its eruption only adds urgency to his main argument: that Israel's gravest danger comes from the disaffected Arab population inside the Green Line. McDowall, a former employee of the United Nations Relief and Works Agency for Palestine Refugees, argues that "giving adequate satisfaction to the Palestinians of the occupied territories is now urgent if the uprising (or successive uprisings) does not begin to turn the thoughts of Israel's own Palestinian population from civil rights to secession from the Jewish State."

McDowall convincingly lays out the long history of state discrimination against Israeli Arabs in the delivery of services and their radicalization during the intifada. Their recent demonstrations in support of Saddam Hussein would not have shocked McDowall, as they did Israeli Jews. For all his alarmism, McDowell fails to persuade that the problem of Israel's Arab population is a time bomb for Israeli democracy rather than a wound with which it can continue to live. It is not that the Jewish state will resolve Arab grievances to their satisfaction; but rather, that Arabs' fear of a harsh response, their political fragmentation and stake in the status quo, and perhaps some concessions from the state, will keep a lid on their resentment.

Like McDowall, all of the authors under review

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would prefer a solution sooner than later and worry that continuing violence and polarization on both sides may harm the peace prospects. Many are concerned by the rightward drift in Israeli public opinion, a trend that has probably been reinforced by Iraq's invasion of Kuwait.

At the same time, the intifada has given many Israelis a grudging respect for the Palestinians of the territories and a recognition that the PLO is their authentic representative.

Eventually, one hopes—provided the Gulf crisis is resolved without a regionwide conflagration—the world's attention will turn again to the Palestinian question. Pressure from the United States, an increasingly consequential European Community, a helpful Soviet Union, and a more pragmatic United Nations could revive the search for a dialogue. □

Emanuel Geltman

PERESTROIKA—A DIALOGUE

CHRONICLE OF A REVOLUTION: A WESTERN-SOVIET INQUIRY INTO PERESTROIKA, edited by Abraham Brumberg. Pantheon Books, 1990. 266 +vi pp. $24.95.

We have been fortunate that Abraham Brumberg has been a frequent contributor to our pages. Our readers know him as an exceptionally well-informed and lucid analyst of Soviet affairs. In this volume he brings off an incredibly useful collection of essays—from both "shores," Western and Soviet. The book presents eight Western contributors, with commentary on what they have written by ten scholars and journalists from the USSR.

Divided into two parts, the book first presents "The Lay of the Land," with essays by S. Frederick Starr, "The Road to Reform"; Archie Brown, "Reconstructing the Political System"; Alec Nove, "An Economy in Transition"; William E. Butler, "Towards the Rule of Law"; Jutta Scherrer, "History Reclaimed"; Ronald G. Suny, "Nationalities and Nationalism"; Vera S. Dunham, "Lyrics: The Pain of Discovery"; David Holloway, "Learning to Live and Let Live" (on foreign policy).

In the second part, "From the Other Shore," the Soviet commentators discuss the views presented in the first part. For the most part, they don't so much challenge the "original" presentation, as amplify it. However, there are disagreements. What remains important is that both essays—the presentation and the critique—are interesting and informative, complementing each other despite differences.

In his essay, David Holloway offers an adage, "The new thinking did not spring into existence fully armed like Athena from the head of Zeus." But, taken as a whole, the book points us from mythology to reality. Thus, we all are aware of dissident activities, however repressed, in the years preceding the Gorbachev era (and continuing into it). However, even with Archie Brown's cautious observation that "while that movement comprised only a few thousand people," he adds that "today's nonconformist voters number millions." S. Frederick Starr locates the appearance of the dissident movement in the Brezhnev period and takes it back to earlier times.

Completed in 1989 (the introduction is dated October–December 1989), the book provides a solid basis for understanding what has happened since. (There is no more than passing reference to Yeltsin. Although the press may have inflated his importance, he is also someone to be reckoned with.)

Generally, it can fairly be said that the contributors have a favorable view of Gorbachev—with qualifications. So, Brumberg, in his introduction, writes:

> Without the active participation and support of thousands of people, of course, Gorbachev would not have been able to preside over perestroika and glasnost; but it is difficult to think of any other Soviet leader equal to the task. . . . History may well forgive him for his blunders and misjudgments, too, despite the dismay and even anger they have generated even among his once loyal supporters, [to which he adds a parenthesis] (see the commentaries of Gavriil Popov and Leonid Batkin).

And Alec Nove adds: "Should Gorbachev fail—and failure is by no means to be ruled out—the outcome would be a misfortune, perhaps even a calamity."

Earlier, Brumberg asks, "How far can this revolution be allowed to go on?" No one has an answer. We can take pleasure in the understanding among the Soviet scholars of what democratic socialism would mean. Dare we say there is some reason for hope? □

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In Memoriam

JACK RADER

Our colleague Jack Rader died on September 24 at the age of 73. Beyond our association as editors of *Dissent*, there is the pain of losing a close personal friend with whom I shared good times and bad. How he loved the dinners we had with our late comrade, Stanley Plastrik (without whom *Dissent* could not have been launched), both of them extraordinarily well informed about politics and world affairs.

Raised on the Lower East Side (before it became the "East Village"), Jack attended Seward Park High School and went on to City College in the days when the "alcoves" along the cafeteria were alive with debate among political groups—socialists versus communists, other groups. The decibel count was high, the arguments were intense and educational. Jack, of course, was in the socialist alcove.

We also joined, and left, the same political organizations—notably the Workers party, later the Independent Socialist League (the "Shachtman group"), which played an important role in our lives.

Jack served in the Navy during World War II, stationed for a time in Japan, which led to a particular interest in the Far East (and sushi). Back home he had hoped to pursue academic studies on the Far East but instead moved for a time to Philadelphia with his wife Margie (who died several years ago), and worked in a shipyard. They lived in what was essentially a black neighborhood and both worked with neighbors and co-workers in forming a social-political club, which, when I visited it, was a lively mix of political and social engagement.

Returning to New York, Jack went to work for American ORT (an organization founded in Czarist Russia to teach Jews industrial skills). At ORT, where he became assistant director, he wrote a brief history of the organization, used his vast knowledge of world affairs, became particularly interested in Israel, and, in ORT's training schools here and abroad, took students beyond the "primitive" industrial skills first envisioned by the founders to education reflecting modern needs.

Bedeviled all his life by bouts of illness, he bounced back each time with zest. He was dealt a brutal blow by the death of an adolescent son from leukemia. He never spoke of it afterward, but it was there, always in the back of his mind.

In recent years, he was again laid low by a series of illnesses that left him with impaired speech. Sustained by the love and devotion of his wife Susan, Jack carried on as well as he could—letters in place of conversation—and his interest in world affairs (and *Dissent*) never flagged. (At editorial board meetings, he couldn't speak, but he could listen, and write notes.) Then a foul blow. Having overcome strokes and operations, in early November he was hit by a truck while crossing a street near his home. He hung in for about three weeks; then the end.

We offer condolences to his family. For myself, I share the grief of Susan and his family. With them, I mourn the loss of a companion with whom I shared so much over some 50 years.

EMANUEL GELTMAN

We wish to thank those friends who made special contributions to *Dissent* in honor of the memory of Jack Rader—EDS.

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Heilbroner—Howe: Take I

The Heilbroner-Howe exchange ("The World After Communism: An Exchange Between Robert Heilbroner and Irving Howe," Fall 1990) suggests that the time has come to move the discussion of capitalism versus socialism to different and more productive themes. Not only have both terms long ago become buzzwords, but even when they are used as concepts, there are so many types of, and variations in, each that too many words have to be expended to identify which variety of each is being discussed. Howe's response takes Heilbroner to task for his conception of socialism, but Heilbroner's otherwise fascinating analysis, notably on the predictive skill of the right, could also be questioned for not distinguishing, for example, between capitalism with and without strategic government subsidy.

Given the political power that capitalists usually obtain, I am not even sure if any examples of purely capitalistic, that is, unsubsidized, economies exist; but certainly the success of American capitalism—not to mention Japan's—is partially explained by the important role government has played both in funding risky innovations and regulating competition and monopoly. Moreover, the success of the West European welfare states is due precisely to the role of government in ameliorating the human shortcomings of capitalism (of the kinds still existing in the United States, especially in Republican times, in Latin America, and elsewhere).

In addition, both capitalism and socialism are limited conceptions, for neither can deal with all the major institutions and social processes of society. To be sure, capitalist apologists and dreamers sometimes claim that the "free market" will eventually take care of virtually all social problems, but this is ideology in the pejorative sense of the term. Some socialist dreamers and apologists have made similar claims, and some theorists have tried to develop conceptions of socialism that are truly comprehensive. They are utopian because they try simultaneously to achieve equality, community, democracy, as well as a functioning economy, and that is too much to ask of any ideal.

My interest is not in ideals but in ways of improving existing societies. For this purpose it may be useful to place a moratorium on comparing socialisms and capitalisms and instead to try to compare existing societies by the extent to which they have achieved and are moving toward various kinds of *equality*. Equality has not received much attention of late, in part because the conservative domination of the political debate has forced liberals and the left to concentrate on documenting the increasing amount of economic inequality. The conservatives may also have depressed our optimism and thus our ability to think positively about egalitarian ideas and policies.

I propose equality because, for this discussion, it has at least four virtues. First, greater equality seems to me a desirable goal sui generis. (This letter is not a treatise on equality, and I therefore omit discussing the shortcomings of complete equality; the dangers of treating greater equality as a mechanical, and a mechanically measured, goal; and the need to distinguish between equalities of treatment, opportunity, and results, as well as their effects.) Second, it can be compared across many institutions, so that it lends itself to a degree of comprehensiveness. Third, egalitarian conceptions have always been part of socialism and, to a lesser extent, of capitalism; and fourth, equality is also a partial synonym for another goal, fairness, which is of high priority when resources are scarce.

More equality is usually conceived first in economic terms, and the degree of equality of wealth and income distribution is surely of primary importance. (So is the degree of wage and salary equality in the workplace, and one reason sometimes given for the Japanese economic success is that the top executives of big Japanese corporations earn only five to six times more than the most poorly paid worker, while in the United States that ratio can reach twenty-five.)

A related type of equality is in the distribution and consumption of goods and services. The ability of people in different societies to afford and choose the goods they prefer has not received much attention, so that, for example, today's young people may not even know that not so long ago one could still tell a person's class background by the type of clothing he or she wore, even off the job. Today, America's working class has the right—and the upper class, the virtual obligation—to wear "middle class" clothing, even if the quality of that clothing remains a function of income and wealth.

Equality is more often assessed in terms of the distribution of basic public services, notably housing, health, and education. The United States does poorly with respect to the first two, but it still enables a larger proportion of the working class to go to college than any other society, even if that is only one criterion for judging educational equality. The European welfare states are way ahead of us with respect to health, housing, and equality in elementary and high school public education, but many of their citizens grumble, like ours, about overbureaucratization, which is in part an effect of inequalities between service suppliers and service users, a problem no one has yet solved.

For an across-the-board comparison of societies, none-

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conomic equalities are just as relevant. Political equality is one, and in this respect the European welfare states are not always as good as they look, for formal equality of the one person–one vote variety is accompanied by a sociopolitical structure in which elites and experts, including intellectuals, dominate politically and socially in a way they do not do in the United States. (It has developed other types of sociopolitical domination.) In comparison to Europe, America remains less centralized, which enhances some kinds of equality and reduces some others; and as Tocqueville pointed out, America's boundaries of class and status are more permeable and fluid, permitting a more egalitarian opportunity for upward social mobility—especially for white males—than is found in Western Europe.

Racial, ethnic, religious, and gender equalities must not be ignored, and the total list of desirable equalities may be so long that not all can be pursued simultaneously. Perhaps the best and fairest way to deal with this issue is to ask people in various countries to make priority choices, to decide which kinds of equality they value most. If such questions could be asked and answered, each country could, in an ideal world, proceed to move first toward those equalities on which democratically achieved agreement can be reached. Ultimately, this may also be the fairest way of comparing and evaluating existing societies, regardless of whether their political economies are capitalist or socialist.

HERBERT J. GANS
New York, N.Y.

Heilbroner—Howe: Take II

Editors:

Irving Howe's critical comments on Robert Heilbroner's view of "the world after communism" are justified; and yet Heilbroner's position is, in a limited but important sense, also correct. This apparent paradox springs from the fact that each focuses precisely on what is parenthetical in the other's discussion of socialism.

Howe zeroes in on the authoritarianism of the communist regimes, so alien from basic socialist ideals. So much so that all talk of "actually existing socialism" is treacherously misplaced before it begins: "no democracy, no socialism." Literally parenthetical is the matter of what is meant—if it was not what was practiced under communism—by socialist planning and ownership.

For Heilbroner, on the contrary, this last consideration is plainly central. He permits himself the term "socialism" in connection with Soviet-style regimes because, at least formally, their attempt to overthrow the market and production for profit by means of state ownership and central planning was orthodox. That attempt—or at least the intent—was consistent with the definitions of full socialism advanced by both its proponents and its critics from well before 1917 until well after. Even the efforts to reform the Soviet model along regulated market socialist lines remained (until the very end) within the traditional framework of "conscious control" and public ownership, where they converged at key points with proposed models for a democratic socialist "third way."

Unfortunately, as von Mises and Hayek indeed recognized long before their socialist adversaries, it is just not enough to place democratic organs above the planners and passive markets below; more radical steps to secure a measure of enterprise independence from state bureaucracy and politics are required. These steps may stop well short of laissez-faire; but where they leave us with respect to traditional socialist ambitions is uncertain.

So if Howe is correct in denying that what has collapsed in Eastern Europe was ever a socialist *society*, Heilbroner can still convincingly argue that the wreckage contains a substantial part of our received ideas and hopes for building a fully socialist *economy*. Taking together Howe's insistence on the link between socialism and democracy and Heilbroner's reconsideration of the links between socialism, planning, and public ownership, we have a pretty good measure of the scope of the task before us.

DAVID BELKIN
New York, N.Y.

Heilbroner—Howe: Take III

I would like to comment on the exchange between Robert Heilbroner and Irving Howe. It seems to me that both miss important points. I am most sympathetic to Heilbroner's implicit confession that the recent turn of events strongly suggests, if it does not prove conclusively, that, in whatever form, Marxian socialism was based on faulty notions of human nature and a naïve interpretation of history. Marxism rose to prominence primarily as a judgment against the crushing inhumanity of industrial capitalism. It envisioned a more just and humane social and economic order and in so doing it forced capitalism (which I find a very slippery and inadequate word at best) to mend its ways, slowly and reluctantly, to be sure, but considerably. To take a specific example, the Communist party in the United States in the 1930s led the fight for racial justice, the fight against fascism, the struggle for the rights of workers and, to a somewhat lesser degree, perhaps, the rights of women. It stressed the solidarity of all peoples (workers of the world, first, to be sure) and thus voiced what Wyndham Lewis, speaking of the American Revolution, called "radical universalism." One of Franklin Roosevelt's aides recalled that Roosevelt said to him: "We are trying to do many of the same things that the Russians are doing but in a way consistent with our tradition." I thus believe that we misstate the real situation when we say that capitalism has "won" and socialism has "lost." What has been lost is the simpleminded faith in the power of reason or "science" (as in "scientific socialism," which is, after all, what Marx claimed he was establishing) to produce, in a relatively short time, a utopian order, with the realization that such "rationalizing techniques" can only be implemented by coercive force.

What has survived of the extravagant and utopian hopes of Marxian socialism is a "socialized capitalism," which is, after all, not a bad bargain. That and the widespread realization that any acceptable modern society must develop instrumentalities to prevent or at least control the exploitive tendencies of its members. This is, after all, just

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what the Founding Fathers strove to accomplish. None of them, to my knowledge, called themselves capitalists. Virtually all of them, even the most conservative, were wary of the disposition of the rich and powerful to exploit the poor and weak. Isn't that still our problem no matter what we call our economic or political systems? The lesson of the collapse of the so-called socialist societies in the Soviet orbit is that there is no quick fix on the long, slow, tortuous path to a just and peaceful world order.

Thus it seems to me Heilbroner is right when he at least tacitly admits that Marxism had certain fatal flaws at the heart of it. I do not myself see the utility of trying to salvage some form of socialism by trying to make precise distinctions between tyrannical distortions of Marxism and "true" or "pure" Marxism/socialism. The real test is whether, stripped of the illusion that there is a saving Marxist ideology, we can sustain the fight for those reforms that, in large part, we owe to the challenge posed, for the last century, by the vigor and tenacity with which millions of people pursued under the guise of Marxism the Enlightenment dream of a heaven on earth.

PAGE SMITH
Santa Cruz, Calif. □

On Paul Goodman

Editors:

Taylor Stoehr's piece on Paul Goodman and *Growing Up Absurd* (Fall 1990) was simply marvelous. His understanding and appreciation of Goodman's vision and its obvious relevance to the problems that plague us in the nineties is an important contribution to any meaningful contemporary dialogue. I am grateful to *Dissent* for publishing the piece.

MICHAEL WRESZIN
Washington D.C. □

From Which Side Do You Snipe?

Editors:

I never thought I would find in *Dissent*, which was founded by democratic anti-Stalinists, sneering references to my book *A Better World: Stalinism and the American Intellectuals* for its criticisms of the old pro-Soviet left. Nor did I ever expect, in the same review (Leo Ribuffo's "McCarthyism Re-revisited," Summer 1990), to see other historians praised for having "removed the Communist party from the realm of demonology and stressed rank-and-file commitments to the labor movement and racial equality."

Among those demonologists one would certainly have to include Irving Howe and Lewis Coser, for no magazine criticized the communists and their intellectual apologists more witheringly than *Dissent*. Ribuffo knows this because I quote at length from Howe and Coser's famous essay "Authoritarians of the Left," in which they attacked *Monthly Review* for upholding "the radicalism of the blackjack." To Ribuffo, who seems to believe that supporting the crimes of Stalin was a small thing compared to being anticommunist, this must make them red-baiters of the worst sort. And all the more so, no doubt, because we have learned that American Stalinists had these wonderful commitments to the labor movement and racial equality.

One expects to find historical amnesia and the double standard in the *Nation*, but in *Dissent*?

WILLIAM L. O'NEILL
Highland Park, N.J. □

Leo Ribuffo Replies

In former days Professor O'Neill's letter might have sounded ominous; now it just sounds wacky. I will address three issues: O'Neill's attitude toward the red scare of the 1940s and 1950s, the recent historiography of American communism, and the way in which serious historians should approach the past.

Although I have read *A Better World*, the account by O'Neill I had in mind comes from another source. In *American High: The Years of Confidence, 1945–1960*, a lively book I sometimes assign to my students, O'Neill presents Lillian Hellman, a self-righteous and unappealing figure to be sure, as the representative "Stalinist" intellectual, trivializes her appearance before congressional investigators, and minimizes the impact of McCarthyism in general. What O'Neill calls "sneering references" to his work still seem to me fair paraphrases. In any case, his letter criticizes the tone rather than the substance of what I said. Evidently, he does believe, as I wrote, that the second red scare "harmed few Americans, many if not most of whom deserved what they got." And clearly he is "appalled," not only by the recent memoirs of ex-communists and Popular Front liberals but also by historians who find anything of value in those books. Most important, though American communists and their allies had "much to answer for," as O'Neill says in *American High*, neither they nor the nation as a whole deserved the Smith Act, the House Un-American Activities Committee, or the Senate Subcommittee on Internal Security.

What did they have to answer for—and receive credit for? This is not the time (though *Dissent* certainly is an appropriate place) for a full discussion of revisionist interpretations of American communism. But we can at least recognize that the issues are intellectually complicated as well as emotionally compelling, and that the recent scholarship, like scholarship on most subjects, varies in quality from excellent to awful. I cited two of the best historians, Maurice Isserman and Mark Naison, neither of whom I know personally. If O'Neill really thinks that they present the communist position on labor and race as unambiguously "wonderful," then he should re-read their books. In the meantime he might consider a moratorium on his own sneering references.

In murky fashion O'Neill makes the two standard arguments that are supposed to end all discussions of American communism. He charges the communists with "supporting the crimes of Stalin" and says that those crimes were far worse than McCarthyism.These rhetorical trumps frequently do serve to end discussion—precisely at

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the point where it should begin. Some communists and Popular Front liberals knew Stalin was a monster and lied to protect the Soviet Union; they deserve all the retrospective abuse O'Neill wants to heap on them. Yet most communists and Popular Front liberals cannot be said to have supported Stalin's crimes because (as even Arthur M. Schlesinger, Jr., noted in 1960) they didn't consider the purges crimes but fair trials yielding just results. Defending this position, they were self-righteous, oblivious to evidence, and often vicious. Nonetheless, they were neither the first nor the last Americans to hold unshakable, inaccurate opinions about distant countries that conducted business in languages they did not understand. Nor did they count for much in the scheme of things. Although several decades of polemics among intellectuals have obscured the point, Stalin did not arrange the Nazi-Soviet Pact because Lillian Hellman signed a petition endorsing his regime.

McCarthyism was small stuff compared to Stalin's purges; the United States was a democracy imbued with broadly liberal traditions while the Soviet Union was a dictatorship with a strong authoritarian heritage. Why that obvious difference should preclude criticism of the red scare has always eluded me. Blacks live better in the United States than in South Africa, and women enjoy greater freedom here than in Saudi Arabia. Should we therefore remain satisfied with less than full equality? Not unless the latest American high has dulled our senses.

O'Neill's characterization of my interpretation of American communism leaps from non sequitur to non sequitur. Considering that I graduated from the university where he teaches and know several of his colleagues, he could have discovered my views simply by asking around instead of doing something onerous, like going to the library. Looking back on the 1930s and 1940s, I prefer Norman Thomas to Earl Browder, not to mention Joseph Stalin, and think that the United States would have been better off without a Communist party. Except for the promotion of black culture, the Popular Front was an intellectual disaster (see Howe and Coser, *The American Communist Party*). Not only was the communist record on civil liberties atrocious from an ethical perspective, but it also helped set legal precedents for suppression of the left during the subsequent red scare.

Perhaps O'Neill would have been happier if I had said these things in the review; he seems nostalgic for the days when no one could write about communism or anticommunism without first warding off suspicions of closet Stalinism. Even so, I probably could not have passed his muster because my critical judgments lack the requisite bitterness. Furthermore, I would have had to acknowledge several other sides to the story. There were communist heroes and heroines as well as opportunists and thugs. The epithet "Stalinist" hardly describes the varied experiences of roughly a million men and women who belonged to the party as well as millions more who were Popular Front liberals. Historians still do not know enough to make definitive judgments about several crucial questions. What was the rank-and-file attitude toward Moscow? What was the mix of doubt, deliberate deception, and self-deception? How did communist chicanery differ from Democratic and Republican chicanery? In short, scholars still need to study American communism much as they would study any other social movement.

Certainly some readers of *Dissent* believe that they learned all they need to know about communist chicanery half a century ago. I doubt that I would have responded to this letter, and perhaps would have accepted it with grudging empathy, if the author were a veteran of old ideological wars reiterating arguments he or she has made for five decades. Unfortunately, the letter comes from a professional historian, and historians should not be content to leave any aspect of our past in the realm of demonology. Looking back on the seventeenth century, I prefer William Penn to Cotton Mather, not to mention Oliver Cromwell, and think that the United States would have been better off if the colonies had been settled by more Quakers, fewer puritans, and no slaveholders whatsoever. Yet we wouldn't understand much about early American religion or slavery if we studied these subjects as O'Neill approaches the 1930s and 1940s, that is, by picking a side and then celebrating one-dimensional heroes and assailing one-dimensional villains. In this respect, O'Neill curiously resembles the worst of the New Left historians he disdains, those who think that the *only* thing worth knowing about Thomas Jefferson is that he held slaves.

In one of those remarkable cold war paradoxes, scholars of American communism stuck to clichés even after many of their counterparts studying Soviet and Eastern European communism began to abandon them. Some early books on the American party, notably those by Howe and Coser, Theodore Draper, and Daniel Aaron, remain valuable. By and large, however, until revisionists like Isserman and Naison began to publish in the early 1970s, American communists appeared in scholarly accounts as a mass of hacks, misfits, dupes, and paranoids. Meanwhile, numerous academics, foreign service officers, and at least four presidents had discerned significant differences among such "Stalinists" as Beria and Khrushchev, Rakosi and Kadar, Bierut and Gomulka, Gottwald and Dubcek. The reasons for this discrepancy are easy to find. Since East bloc communists controlled whole countries, and in one case a powerful and dangerous country, there was a strong incentive to discover what actually made them tick. Since American Communists controlled little more than J. Edgar Hoover's imagination, there was no compelling need to go beyond caricature. On the contrary, for intellectuals, the largest constituency except FBI agents interested in American communism, reconsideration might have meant the loss of polemical straw men and the surrender of venerable grudges.

In sum, discussion of American communism has been governed less by a serious effort to understand past events, hard as that is, than by an inner dialectic of animosity unfolding since the 1930s. Enough already. □

On Industrial Policy

Editors:

There is an old press agent adage that goes, "I don't care what they say, just make sure they spell my client's name right." That almost applies to authors when they see their

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book reviewed. But not when a critic misrepresents the contents.

In his review of *When the Machine Stopped*, Marc Baldwin seriously distorts my views on industrial policy. I have no "antipathy" to state intervention in the economy, nor should it be limited to providing a sound economic climate. On the contrary, I believe the state intervenes every day and in a myriad of ways, and I explicitly say as much in my book. Nor do I believe that Japanese manufacturers have flourished *only* because of their more stable economic climate. That criticism is crude reductionism of my argument.

I tried to show that the relationship between Japanese manufacturers and Japan's Ministry of International Trade and Industry (MITI) is far more complex than any simple conspiracy. So now Baldwin and others have developed a variant on the original "big MITI" theory, one that tries to show that major inconsistencies are in fact proof of MITI's actual constancy. Unfortunately, one inconsistency is named FANUC, and another is named Yamazaki. The former dominates the world market for machine-computer controls, and the latter is the biggest machine tool builder in the world. The exceptions do not prove the rule here. Neither firm owes its success to a Japanese government agency that made direct investments, as Baldwin would have Washington do now. And both rebelled against MITI's attempts to rationalize the machine tool industry.

There are important ways the U.S. government can foster a necessary renaissance in manufacturing: common standards and support for basic research are surely two well-taken lessons. But if it does not correct the fundamental disregard for capital, to borrow Henry Kaufman's phrase, that is the government's most powerful intervention in the economy, then no conceivable combination of patch work will redress America's industrial decline. Patient capital is pivotal, and managed trade is a sorry substitute. The German tool industry does not have to restrict imports to retain its market share of machine tools; why should we?

The task is to make American industry competitive in the world market, Mr. Baldwin, not shield it from the competition.

MAX HOLLAND
Washington, D.C.

Marc Baldwin Replies

Holland's reading of FANUC's history is curious. In 1965 MITI agreed that FANUC should focus on building controllers. By 1971 FANUC had over 80 percent of the Japanese control unit market. During the 1970s, MITI provided research and development subsidies to the industry and reduced tariffs on standard machine tools while maintaining those on controlled tools. In 1976, MITI spent $60 million on an eight-year flexible manufacturing system project, in which FANUC was the only controller company represented. When the project was finished, low interest loans were offered to companies that used the system.

If it were true that FANUC received no direct state investment it would hardly disprove the value of such strategies. Nor would rebellion against MITI disprove the value of MITI's intervention to the company and the industry. The entire Japanese system is neither desirable nor possible in the United States. In my review I focused on those elements of the Japanese case that deserve renewed interest here.

In the process of challenging my reading of his book, Holland repeats the essential error I see in his analysis. He claims "no 'antipathy' to state intervention." Yet the state-led components of Japanese industrial policy are discounted, managed trade is dismissed, and we are left with "patient capital" as the answer to competitiveness.

I share Holland's concern for patient capital. But how do we get there? Managed trade is one way, certainly critical in Japan and elsewhere. Direct investment by the state is another, despite Holland's assertions. In his letter as in his book, Holland offers no specific guidance beyond identifying the problem of volatile capital markets. If Holland believes my review overstated his emphasis on monetary policy and antipathy toward more direct forms of state intervention, his letter gives no reason to think I misread him. □

Glasnost in *Dissent*?

Editors:

In his ill-informed article on developments in the U.S. Communist party (*Dissent*, Spring 1990), Neil McLaughlin makes some statements about me that need to be corrected.

1. McLaughlin writes that my politics "are indistinguishable from the most orthodox in the CP." Wrong. From what I gather, I differ on a number of issues from the "most orthodox."

2. McLaughlin writes: "Although Parenti says he is not a member, he writes regularly for the party press." Wrong twice. First, I do not say I am not a member. I say what I have said all my political life, Senator, that it is none of your goddamn business what my political affiliations are. Second, one article in the *People's Daily World* in the last year hardly makes me a regular contributor. I wish I had time to contribute more to that publication; it is one of the better ones on the left.

3. McLaughlin again: "Parenti played the role of ideological 'hit man' for orthodoxy, or 'bad cop' to Gus Hall's 'good cop.'" Wrong. The image is of some coordinated effort between me and the leadership of the CP. I haven't exchanged two words with Gus Hall or any other party leader about *glasnost* and *perestroika* or any related subject—although I would welcome the opportunity to do so. McLaughlin, who hasn't talked to anyone, fantasizes about ideological cops.

4. To prove that I am the CP's "Stalinist" heavy, McLaughlin quotes extensively from one article I wrote on *perestroika*, criticizing *Moscow News* for its uncritical adoration of everything that is Western capitalist. What he doesn't mention is that my article is from the *Guardian*, an independent radical weekly with no connection to the CP. In any case, I find nothing wrong with criticizing *Moscow News* for its right-wing slant and its open admiration of

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Ronald Reagan, Milton Friedman, George Bush, and, yes, Andrei Sakharov. (Has anyone ever read Sakharov on Vietnam, the arms race, and so on?) Are Sakharov and *Moscow News* editor Yakovlev above criticism because they are anticommunist? McLaughlin seems to imply as much.

5. I stand on my request that some systematic determination be made regarding the number of Stalin's victims—rather than bandying about imaginary figures for fifty years. Mikhail Gorbachev has made the same request, and now the process of investigation is underway in the USSR. McLaughlin treats my unwillingness to accept the imaginary figures as something deplorable.

6. McLaughlin writes: "The massive upheavals throughout Eastern Europe have silenced Parenti. . . ." Wrong. In recent months I have given public lectures, radio talks, and written articles on Eastern Europe. He adds that despite my "silence," "the party retains a Stalinist style," as if I am one of the generators of a "Stalinist style"—whatever that is supposed to be. In fact, from what I hear, things are changing in the CP. Communists are changing all over the world. The real problem is the unchanging nature of all the anticommunists and red-bashers, both the ones found in the White House and the ones who write for *Dissent*.

MICHAEL PARENTI
Washington, D.C.

Neil McLaughlin Replies

Parenti's relationship to the CPUSA is a matter for his own conscience. What is of interest to *Dissent* readers is the politics that he articulates in public debate. Last spring I heard Parenti speak on "Marxism: Continuity and Change, 1917–1990" at the CPUSA headquarters in Manhattan. Parenti's speech was a thinly veiled attack on the Gorbachev reforms. During the question and answer period, dominated by pro-Gorbachev CPers, he launched into an almost hysterical apology for the CPUSA, Stalinism, and the Soviet invasion of Czechoslovakia.

My article in *Dissent* was based on a reading of recent issues of the *People's Daily World* and the party theoretical journal, *Political Affairs* (something Parenti does write for regularly). I talked to several leading members of the CPUSA. I am left wondering how Parenti could assert, "McLaughlin has talked to no one," unless he asked the wrong people.

The real issue here is not where Parenti chooses to publish nor what political or social connections he has with the CPUSA. Parenti and I disagree about real political issues. Instead of discussing politics, Parenti resorts to name calling. Stalinism may have collapsed but I suppose some things never change. □

To Letter Writers

- *We welcome succinct letters from our readers. But because we have a long "lead time" for each issue, you have to send us your letter within three weeks after getting an issue of* Dissent *in order to get it into the next issue. So if you want to write about something that you like, or dislike, in or about* Dissent, *please do it quickly.*

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Correction

The new book by Samuel Bowles, David Gordon, and Thomas Weisskopf was incorrectly cited on p. 510 of our Fall issue. The correct title is *After the Waste Land: A Democratic Economics for the Year 2000* (M.E. Sharpe, 1991).

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AN AMERICAN JEWISH VIEW ON THE PERSIAN GULF CRISIS

November 12th, 1990 — We as American Jews share a special and grave concern for the survival and well-being of both Israeli Jews and Palestinian Arabs. The crisis caused by the Iraqi occupation of Kuwait, the subsequent massive buildup of American and other forces is a grave threat to both these populations. The prospects for Israeli-Palestinian peace grow more distant; the opportunities created by the intifada may be lost. Palestinians in the Gulf states are caught between powerful combatants — a situation Jews know all too well. Palestinians in the Occupied Territories risk being trapped in a war between Israel and Iraq fought in the West Bank and Jordan. Many Palestinians, frustrated at 23 years of Israeli military occupation supported by the United States government, have greeted enthusiastically Saddam Hussein's shakeup of the status quo and his defiance of Western military intervention. Meanwhile Israeli Jews are gripped once more by a siege mentality and faced with a real threat of devastating war. The killing of Palestinians by Israeli forces at the Al Aksa mosque underscores the vulnerability of the Palestinians and the importance of resolving this conflict for the entire region.

The American role in precipitating this situation must be addressed. For decades the United States, in its concern for "containment" and its desire to control oil resources has joined other industrialized nations, pouring armaments into the region to maintain and encourage authoritarian, royalist or right-wing governments. Many of these governments, along with the U.S. and the Soviet Union, supported Saddam Hussein as long as his war machine, — including nerve gas — and his secret service were turned on Iran, the Kurds, Moslem activists, Communists and other dissidents among his citizens.

As the current US economic crisis deepens, our leaders have created a convenient new Evil Empire. Social needs in the United States will remain unmet while our government polices the world. Forgotten now are the S&L scandal, the world-wide AIDS epidemic, the ecological dangers of off-shore oil drilling and nuclear energy, the peace dividend and any thought of beating US swords into plowshares. At the present time, our government spends billions to subsidize the Israeli occupation of Palestinian territories and spends more billions to oppose the Iraqi occupation of Kuwait.

This crisis has shown us how dangerous and shortsighted that policy has been. It is as if Saddam Hussein, Yitzhak Shamir, andGeorge Bush have agreed together to avert the dreaded possibilityof peace through negotiation and to fan the flames of apocalypse.The victims, as usual, will be the common people of the area. High on the list will be the Palestinians who have been dispossessed, betrayed, and scapegoated as Jews have been so many times. The expansionist Middle East leaders are a godsend for America's military-industrial economy. Together, they are keeping the sinister Dance of Death going. The struggle for peace and justice is not advanced by serving one or the other of the fanners of the flames. Our solidarity is with those who understand that the life of all human beings is equally precious and who stand for peace against the eagerness of leaders to reap body counts.

The present crisis demands a regional settlement which can only be achieved by addressing everyone's right to peace and justice. This settlement should promote immediate negotiations to deescalate the situation and address the following issues;

- Military withdrawal of Iraq from Kuwait and of the US from the Gulf under UN supervision;
- UN-sponsored international conferences to resolve the military occupations of Kuwait by Iraq, of the West Bank, Gaza, Golan Heights, and parts of Lebanon by Israel, and of Eastern Lebanon by Syria;
- An end to encouraging an arms race in the Middle East through an embargo on all arms sales;
- and an end to the US underwriting of the Israeli occupation;

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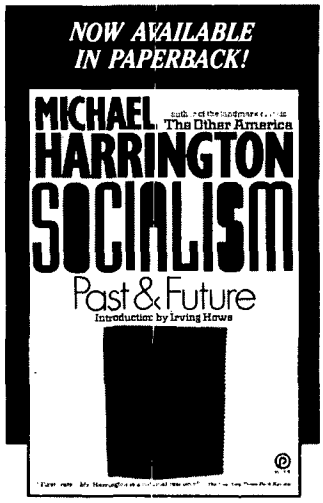

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